

PEOPLE
Connally Auction
\$2.7 Million

Phantom of the Opera
Lloyd Webber's London
Phantom of the Opera
Lloyd Webber's London
Phantom of the Opera

British pilot Brian
Milton on a fairway in
Buckingham Palace
Milton on a fairway in
Buckingham Palace

Paris benefit Tuesday
winning a sculpture by
César, artist, and im-

Hotel
GREAT BRITAIN
HOTEL NUMBER 88

ACCESS VOYAGE
New York \$100
San Francisco \$120

Italy Coalition
Wins 2 Votes
ROME (Reuters) — The
Italian government Friday

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On Currency Instability
By Reginald Dale

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Going Home for Soviet Vets
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The Global Newspaper
Edited and Published
in Paris

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

ESTABLISHED 1887
1988 JAN 30-31 SATURDAY



WEST BANK PROTEST — Palestinians burned tires and threw stones in Nablus on Friday. Israel, meanwhile, eased restrictions in the occupied territories and punished some soldiers for excessive beating during Arab protests. Page 5.

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Javier Solana, the Spanish government spokesman.

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Sofia Slips in Rush To Please Moscow

By Jackson Diehl
WASHINGTON Post Service
SOFIA — During the 33 years he has ruled Communist Bulgaria, President Todor Zhivkov has loyal-ly followed the lead of five successive political chiefs in Moscow, "both in sunny weather and in clouds," as he put it Thursday.

Going Home for Soviet Vets

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Kiosk

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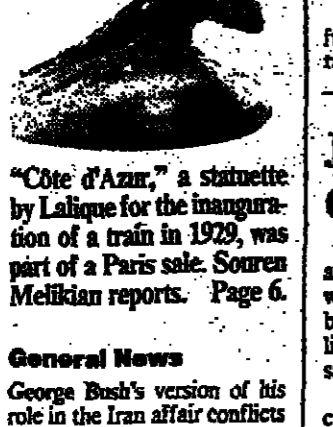
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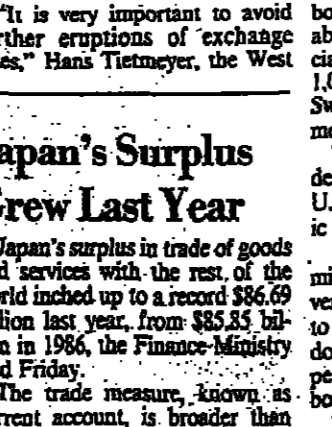
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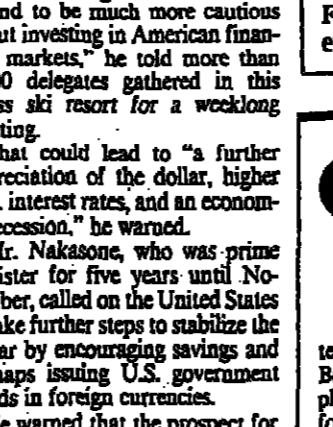


"Côte d'Azur," a statuette by Lahque for the inauguration of a train in 1929, was part of a Paris sale. Source: Melikian reports. Page 6.

Table with financial data: Dow Close, The Dollar in New York, DM 1.6815, Yen 128.05, FF 5.6665



MEETING THE PONTIFF — President Daniel Ortega Saavedra of Nicaragua shaking hands Friday with Pope John Paul II at the Vatican. Meanwhile, Sandinist and contra negotiators ended their first set of direct talks in Costa Rica without reaching a cease-fire accord. Page 3.



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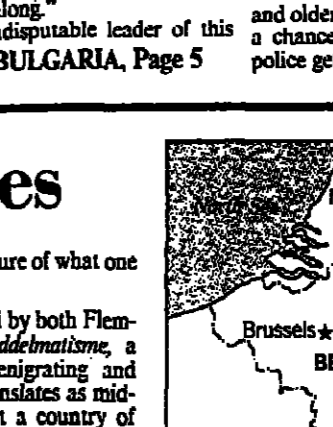
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High-Tech Export Pact: An Exercise in Unity

Both the U.S. and European Allies Appear Pleased by New Guidelines

By Joseph Fitchett
International Herald Tribune

PARIS — In a rare display of trans-Atlantic unity on the issue of technology controls, U.S. and European officials said Friday that Western nations and Japan have injected fresh determination into their embargo against high-tech sales to the Soviet Union.

that the Kongsberg case in Norway and the Toshiba case in Japan had sown doubts in Congress about the allies' loyalty and the effectiveness of COCOM. The cases involved the sale to the Soviet Union of computerized equipment for making ultra-quiet submarine propellers.

NEWS ANALYSIS

frictions, particularly in the U.S. Congress, the officials said.

Key features of the new COCOM posture — a shorter list, tougher enforcement and freer trade between the allies — are particularly visible in France, which guards its own technology but has often appeared reluctant to cooperate with the United States.

Many personal computers, for example, have now been cleared for export to the Soviet Union. This change represents a long-standing demand by European governments, which have accused the Reagan administration of throttling trade.

South Africans Keep Pressure on Angolan Troops

LUANDA, Angola — South African planes and artillery launched over 40 attacks in southern Angola from Jan. 14 to 26, threatening government positions in three provinces, Angola said Friday.

Another feature of the COCOM compromise was a U.S. pledge to sell technology more freely to allies that have the legal machinery to protect it.

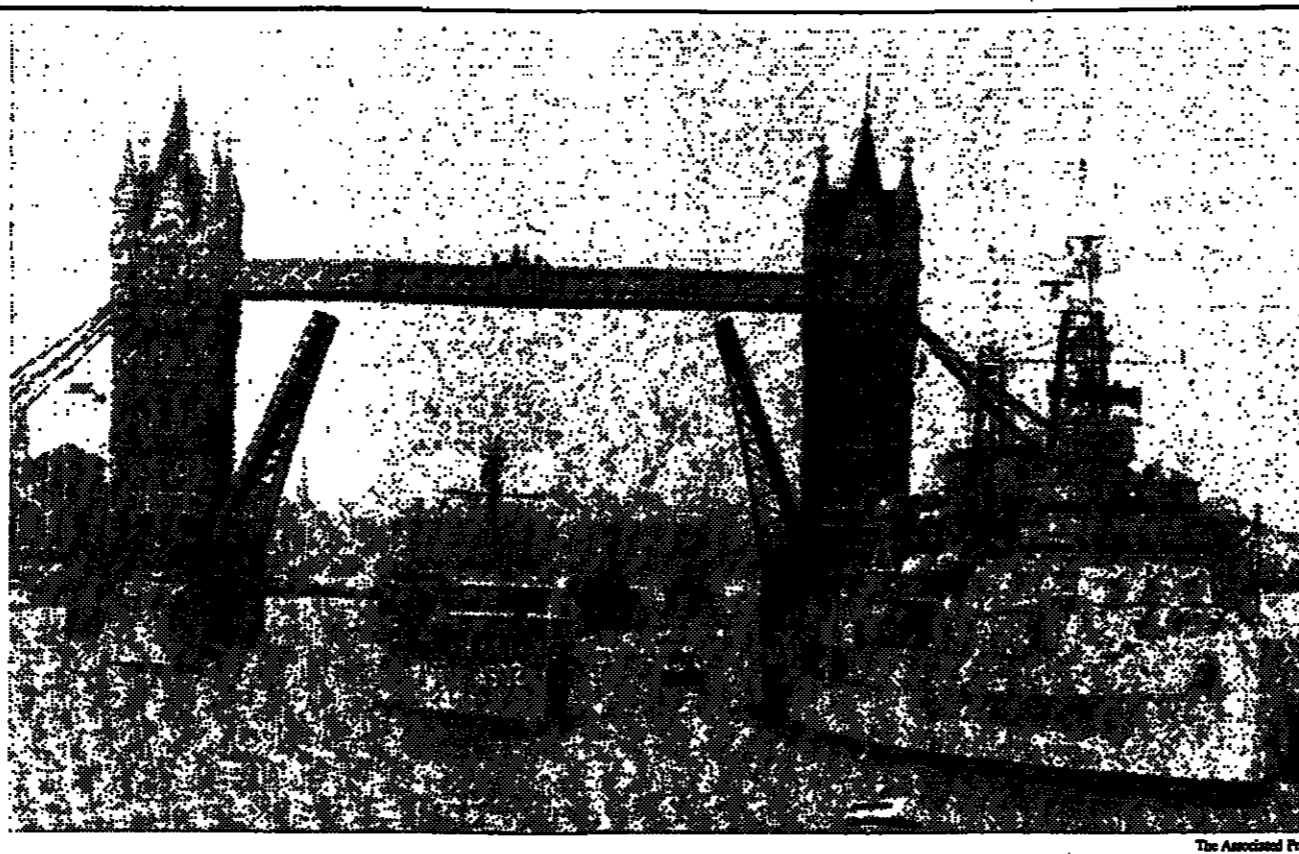
This commitment is due to be tested next week when the Reagan administration sets terms for providing advanced radar technology for French-made fighters.

A Defense Ministry spokesman said South African forces, backed by fighter planes, howitzers and armored cars, kept Angolan troops under pressure in the three southern provinces of Cuando-Cubango, Huila and Cunene. The spokesman gave no details of casualties on either side.

Western diplomats said the fighting was likely to hamper Mr. Crocker's efforts to obtain a commitment from the Angolans to send home an estimated 35,000 Cuban troops. Most of the Cubans occupy a defensive line stretching inland from the port of Namib, about 120 miles (200 kilometers) north of the South-West African frontier.

CHURCH SERVICES

- CENTER OF COPENHAGEN
FIRST BAPTIST CHURCH, English speaking, Sun. 9:00, 11:00, 7:00. Tel. 3537164.
Dr. J.L. Robinson, Min. Tel. (61) 173726.
STROCHOM
MANUEL CHURCH, English, 8:00, 10:00, 11:00. Tel. (38) 151225, 536903.
HOLLAND
TRINITY BAPTIST S.S. 9:45, Worship 11:00, nursery, women fellowship. Meets at Women's Cultural Center, Karisstraat 75 in Westendorp. Tel. 01731-7029.
HAMBURG
INTERNATIONAL BAPTIST CHURCH OF HAMBURG meets at Ev. Freikirchliche Gemeinde Christuskirche, Sutter Str. 18, Hamburg-Altona, Bible Study 1 p.m., 4:00. Tel. (41) 4101-3033.
PARIS SUBURBS
FIRST BAPTIST CHURCH, 36 Rue des Bains-Rouges, 13th arrondissement, English speaking, all denominations, S.S. 9:45, 11:00, 7:00. Other activities. Call Dr. B.C. Thomas, Pastor, 47 49 15 29 47 51 29 63.
PARIS
THE AMERICAN CATHEDRAL (Episcopal-Anglican), Mon-Fri, 12 noon Holy Eucharist, Sat. 9 & 11 p.m. Holy Eucharist, 23 o.e. Geneva V, Paris 8. Tel. 47 20 17 92.
GENEVA
International Christian Fellowship of Geneva, English speaking Sunday service 12:00 noon of Chappelle des Bains, 7 Rue Annet, near Rive, P.O. Box 1444, CH-1211 Geneva 2.
TOKYO
CHRISTIAN CHAPEL NEW CITANI HOTEL GARDEN, open daily 8:30-10:30 a.m. Sunday 8:30-9:30 and Refreshments. Call home, 265-1111, Don Medeiros, Chapel Director.
ZURICH
INTERNATIONAL PROTESTANT CHURCH, English speaking, Sundays 11:30 a.m., Swiss-Genève 25. Tel. (61) 09 55 25. - Charles H. Jester, Pastor.



MINESWEEPERS ON THAMES — A squadron of NATO minesweepers from West Germany, Belgium, Norway, Holland and Britain, passing Friday under Tower Bridge in London. The warships put into port for a three-day visit.

U.S. Joint Chiefs Forgo a Deal on INF

By John H. Cushman Jr.
New York Times Service

WASHINGTON — In a departure from their practice with previous arms-control treaties, the U.S. Joint Chiefs of Staff are not demanding compensation in the form of new weapons as a condition for endorsing the treaty banning intermediate-range missiles.

By contrast, when the first strategic arms treaty was signed in 1972, the Joint Chiefs made clear in the public debate that their endorsement was conditioned on acceptance of a package of new nuclear weapons, including the B-1 bomber and the Trident submarine-launched missile.

Most important, military experts have testified, is the military's view that the allies are welcoming the accord. The favorable response in Europe, they say, may well lead to a stronger consensus there in favor of future military programs.

Even while endorsing the treaty without conditions, the Joint Chiefs have called for new atomic weapons for Europe, including nuclear artillery shells and more modern nuclear missiles with ranges just short of those covered by the new treaty.

A Smooth Start for Seoul's New Leader

By Fred Hiatt
Washington Post Service

SEOUL — President-elect Roh Tae Woo has moved adeptly to consolidate his authority and persuade South Koreans that his regime will inaugurate a more democratic era, according to both supporters and opponents here.

Mr. Roh is a month away from taking over in South Korea's first peaceful transition of power.

Mr. Roh has promised to trim the imperious staff of the presidential Blue House from 10 to six secretaries. He has appointed new leaders to the ruling party, choosing men with "soft images" and no military past.

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VETERANS: Soldiers Resent Soviet Press Image of Afghanistan War

(Continued from Page 1)

home. This has posed a special burden for returning Afghan veterans — Afghanistan as they are called — who sometimes have to convince their audiences that what they were involved in really was a war that left Soviet men dead or wounded.

zine Smyena recently described how the first veterans were told to make the war sound almost pleasant.

"They were often invited to speak at schools, and were warned before the lectures: 'For God's sake, don't say that it is bloody there; you know, so that there won't be any talk about people dying.'"

Coming home, the veterans complain about their first encounters with "negative phenomena," a category of social ills.

WORLD BRIEFS

Iraq Claims It Hit Another Gulf Ship

DUBAI, United Arab Emirates (Reuters) — Iraq said its planes hit another ship in the Gulf on Friday as a tugboat company denied reports that two crewmen were killed on one of its vessels in an earlier Iraqi strike.

China Weighs Extensive AIDS Tests

BEIJING (AP) — Zeng Yi, the head of China's AIDS research efforts, has called for regular and widespread blood testing to ensure that the disease does not spread among the nation's one billion people, the China Daily said Friday.

Salvador Appeals Order to Free 3

SAN SALVADOR (Reuters) — Three men suspected of killing 43 persons, including four U.S. marines, will remain in prison while their court-ordered release is appealed to the Supreme Court, the Salvadoran government said Friday.

Re-election Seen for Finnish Leader

HELSINKI (AP) — President Mauno Koivisto of Finland appeared assured of re-election in his second six-year term next week as his closest challenger, Prime Minister Harri Holkeri, pledged to support him in the case of a runoff vote.

Greek and Turkish Chiefs to Meet

ATHENS (UPI) — Prime Minister Andreas Papandreu of Greece flew to Switzerland on Friday for talks with Prime Minister Turgut Ozal of Turkey.

Ecuador Gets New Interior Minister

QUITO, Ecuador (Reuters) — Two days before national elections, President Leon Febres Cordero on Friday named Heinz Moeller Fraile, a lawyer and former congressional deputy, as the new interior minister.

Italy Expects New Series of Strikes

ROME (AP) — Travelers braced for a new series of strikes by railroad and airport workers this weekend in the wake of disruptions during the past week.

South Africa Jet's Wreckage Found in Sea off Mauritius

By William Claiborne
Washington Post Service
JOHANNESBURG — The wreckage of a South African Airways jetliner that crashed in November, killing all 159 on board, was found Friday deep in the Indian Ocean north of the island of Mauritius.

Bush and... AMERICAN TOPICS... Big Studios Survive Hollywood's Changes... Sweeping A... Is Approved... By Irvin Molotsky

Handwritten signature or mark at the bottom of the page.

Bush and the Iran-Contra Affair: Documents Conflict With His Version of Events

By Joel Brinkley
New York Times Service

WASHINGTON — Vice President George Bush benefited from his televised confrontation with the CBS anchorman Dan Rather on Monday night, he also paid a price.

The live interview intensified the debate over Mr. Bush's role in the Iran-contra affair, a role that remains an issue he cannot seem to put to rest 15 months after the scandal erupted.

Mr. Bush has said repeatedly that "all the questions have been answered" and two weeks ago his spokesman said that, as far as the Bush presidential campaign was concerned, the issue was "essentially closed."

On Thursday, however, Representative Lee H. Hamilton, Democrat of Indiana, who was chairman of the House Iran-contra committee, said that the vice president's position throughout the period when the Reagan administration was selling weapons to Iran, "remains unclear" and that "as long as it is unclear, it will continue to be an issue."



Vice President George Bush pausing for a drink of water before answering a question during a forum in Pierre, South Dakota.

Here are some of the major questions concerning Mr. Bush's role, and summaries of what is known.

Why does the issue continue to dog Mr. Bush?

In a number of areas, the documents of the Iran-contra affair conflict with Mr. Bush's recollection of events.

Mr. Bush says he has provided answers to all the questions, but it is clear that his political opponents and some others have not found all his explanations satisfactory.

All this is particularly bothersome for Mr. Bush's presidential campaign because he is running for office on his assertion that he has served as an effective leader at the highest levels of government and has been a major figure in the Reagan administration.

What is the major area of controversy?

The largest area of ambiguity centers on when the vice president realized that the United States was involved in exchanging American arms for the release of hostages being held in Lebanon by Islamic fundamentalists sympathetic to Iran.

Though he attended numerous meetings where the sales were discussed, Mr. Bush, a former director of the Central Intelligence Agency who was no stranger to covert operations, asserts that he did not realize that the deal was arms for hostages until late December 1985. That was almost two months after the affair had spilled into the press and a year and a half after the program had been conceived.

Of Mr. Bush's insistence that he did not know earlier of the arms-for-hostages nature of the deal, Mr.

Hamilton said in a television interview Thursday, "The evidence is just the opposite."

Was Mr. Bush kept informed about the Iran arms sales as they were under way?

Mr. Bush acknowledges that he knew the United States was selling arms to Iran and that he supported the plan, which was presented initially as a way of reaching out to Iranian moderates, almost from the moment the program was conceived in the summer of 1985. But he appears to have changed his position on whether his knowledge was scant or detailed.

Asked in early 1987 when he had learned of the sales, he said: "I can't recall. I don't know that I had a specific role in making any deter-

minations of it." He has also said he was "denied information" on the sales, was "deliberately excluded" from key meetings and was "out of the loop."

But earlier this month, when other presidential candidates and the news media began focusing on this issue again, he said, "I knew a lot, but I don't know whether I knew everything."

When did the vice president realize the arms sales were actually part of an exchange of missiles and other weapons in return for the release of American hostages?

On this question, the record includes several conflicts. On some occasions, records show, the vice president attended important meetings where the program was

discussed in just those terms. Mr. Bush or his aides say they do not think he was there, but even the meetings Mr. Bush has acknowledged he attended could have given him a great deal of information, enough to prompt Mr. Hamilton to say that the evidence does not support Mr. Bush's assertion that he did not know. "I wish with clairvoyant hindsight that I had known we were trading arms for hostages," Mr. Bush said last spring.

A White House log says Mr. Bush attended one of the first meetings, on Aug. 6, 1985. At that meeting, according to the congressional report on the Iran-contra affair, Robert C. McFarlane, then the president's national security adviser, "reported that the Iranians wanted a dialogue with the United States and 100 TOW missiles, in

return for which four hostages would be released." Last year Mr. McFarlane testified before the congressional committees that Mr. Bush had been at the meeting, but Mr. Bush's aides have said they do not think he was there.

Mr. Bush did attend the president's daily national security briefings, and through 1986 the Iran program was discussed at most of these. But Mr. Bush says the discussions were usually cursory.

Mr. Bush missed a key meeting, at which the program was debated in detail, on Dec. 7, 1985, when he was at the Army-Navy football game. But Rear Admiral John M. Poindexter, a former national security adviser, testified before the congressional committees that he "probably" briefed Mr. Bush when the vice president returned.

Mr. Bush was at a meeting on Jan. 6, 1986, at which Admiral Poindexter presented a new intelligence order, a "finding" authorizing the arms sales. And the records indicate that the vice president also attended a meeting the next day at which Secretary of State George P. Shultz forcefully argued against the arms sales. In congressional testimony last summer, Mr. Shultz said that "it was clear to me by the time we went out that the president, the vice president" and others supported the operation while he and Defense Secretary Caspar W. Weinberger opposed it.

But early this month Mr. Bush said he did not recall "any strenuous objections" at the meeting, and suggested that he might have arrived late. Last summer he said, "If I'd sat there and heard" Mr. Shultz and Mr. Weinberger "express opposition strongly, maybe I would have had a stronger view." He made the same points in his heated exchange with Mr. Rather on Monday night.

Was Mr. Bush given any later evidence that the deal was arms for hostages?

On July 29, 1986, six months after that meeting, Mr. Bush met

with Amiran Nir, the counterintelligence adviser to the Israeli prime minister who was heavily involved in the arms sales as a kind of middle man. Notes of the meeting taken by Craig Fuller, Mr. Bush's chief of staff, say Mr. Nir talked about "whether we would continue to press for release of the hostages prior to delivering the items in an amount agreed to previously."

Mr. Bush said that he just listened to Mr. Nir and that the conversation did not "raise a flag for me."

Underlying all this is Mr. Bush's repeated statement that he supported the Iran arms sales because of his concern for the American hostages, "to get those hostages out of there."

Still, he says he did not realize the arms were being sold to Iran in exchange for the hostages until Senator David F. Durenberger, Republican of Minnesota, who was investigating the matter, told him on Dec. 20, 1986, six weeks after the affair had emerged into public view.

Mr. Bush wrote in his recent autobiography that after the Dec. 20 briefing, "I left with the feeling" that "I had been deliberately excluded from key meetings involving details of the Iran operation."

What role did Mr. Bush play in forming the policy? What advice did he give the president?

By Mr. Bush's own account, he was a solid supporter of the arms sales but sat mute through all the meetings at which the Iran initiative was discussed.

"I don't speak up in these" White House meetings, Mr. Bush said last March. "I haven't done it for six and a half years. I'm not going to start now."

Mr. Bush, who declares that any private matter, refuses to say what specific advice he gave in this case, and Mr. Reagan supports him in that refusal. But Mr. Bush has said repeatedly that he did express "certain reservations" about "certain

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Under new voting rules, a vote can be directly elected if it is a majority. If not, the vote is decided by 301 electors: chosen on a separate ballot from millions of voters in the election states on Monday, but experts predict a turnout of just over 50 percent.

"I will encourage my citizens to be the most popular vote if I'm knocked out," Mr. Bush said last week in a speech to the conservative National Union Party, said Thursday, in a debate among the candidates.

AMERICAN TOPICS

Big Studios Survive Hollywood's Changes

Hollywood changes all the time, but the major studios survive, notes Aljean Harmetz in The New York Times. "Like chameleons, they adapt to each decade — changing ownership, shedding their sound stages, producing television series for the networks and building video-cassette companies.

"The studios of the '80s are very different from those mythical creatures that controlled popular culture 50 years ago. But they still carry the same names — Metro-Goldwyn-Mayer, United Artists, 20th Century-Fox, Paramount, Warner Bros., Columbia and Universal." And they still control most of what goes on in the film industry.

All the big studios are conglomerates, or are owned by conglomerates. Paramount is part of Gulf & Western Inc.'s Entertainment Group, along with Madison Square Garden, the New York Knicks basketball team and 894 film theaters. And 20th Century-Fox, controlled by Rupert Murdoch, the press magnate, has started a television network, MCA, the parent company of Universal, holds 50 percent of the huge Cineplex Odeon theater chain.

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compensation claim against the navy. Now Mr. Wilson, 46, is being sued by three civilian members of the train crew for intentional neglect and infliction of emotional distress. "Unbelievable," said Mr. Wilson's lawyer, Thomas Steel. The plaintiffs and their lawyer had no comment beyond the lawsuit itself.

The Internal Revenue Service is winking on ways of finding the 61 percent of Americans living abroad who, according to the General Accounting Office, Congress's auditing arm, failed to file income tax returns. A spokesman said the IRS plans to exchange information with other countries and require Americans renewing their passports to report their current addresses. Other methods yet to be disclosed are under consideration.

Amish Menonites in Pennsylvania have won a fight to block construction of a 15-mile (25-kilometer), four-lane highway that would have bisected their farmlands near Lancaster. Instead, two existing highways that are chronically clogged will be widened and improved, and the state will look into the possibility of a highway paralleling rail lines in the area. Amish farmers, who keep mostly to themselves, attended hearings on the highway in quiet opposition.

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FBI Papers Show Agents' Zest for Political Role

By Howard Kurtz
Washington Post Service

NEW YORK — In August 1984, the head of the FBI's Denver office sent a puzzled message to the Washington headquarters, saying that he was not sure how far his agents could go in investigating a group opposed to U.S. policy in Central America.

"In spite of attempts by the bureau to clarify guidelines and goals for this investigation, the field is still not sure of how much seemingly legitimate political activity can be monitored," the message said.

A detailed reading of more than 1,200 pages of Federal Bureau of Investigation files made public this week suggests that many of the field offices took an exceedingly broad view of their right to investigate dissidents.

During a five-year investigation of the Committee in Solidarity with the People of El Salvador, or CISPEP, FBI agents investigated news, union members and college students; checked up on church forums and Knights of Columbus dinners; photographed protesters at peaceful rallies; and distributed what they deemed offending articles from student newspapers and People magazine.

Despite many deletions, the voluminous files indicate that the FBI devoted many thousands of hours to surveillance and undercover work, much aimed at church-related activities and college campuses.

The Pittsburgh field office, which unsuccessfully sought to

plant an undercover agent in the local CISPEP chapter, gravely informed the FBI director at the time, William H. Webster, that the group's adherents included "at least one female high school student."

Much of the cable traffic between Washington and the field offices had a decidedly political tone, with FBI agents monitoring protesters in 1983 at a Denver speech by Edwin Meese 3d, at the time a White House counselor, and investigating CISPEP plans to demonstrate at the 1984 Republican National Convention.

Mr. Meese, now attorney general, said Thursday that he would determine whether action was necessary after he receives a report on the surveillance from the FBI's current director, William S. Sessions.

FBI officials declined to answer specific questions about the CISPEP probe but said that they followed internal guidelines governing domestic security and counterterrorism investigations. No CISPEP member has been charged with a crime.

Mr. Webster, now director of the Central Intelligence Agency, could not be reached for comment.

The FBI also was accused of intimidation during Mr. Webster's tenure for attempting to question more than 100 Americans returning from visits to Nicaragua. Many had expressed opposition to U.S. policies there.

The documents on the CISPEP investigation from 1981 through 1985 were obtained through the

Freedom of Information Act by the New York-based Center for Constitutional Rights.

Several FBI offices found no evidence of criminal activity but evidently were encouraged by Mr. Webster's office.

FBI officials in Phoenix reported in 1983 that they had looked into the Tucson Committee for Human Rights in Latin America, "a nonviolent organization," and concluded that "it does not appear that further investigation is warranted."

But Mr. Webster's office ordered

them to continue the inquiry, saying the committee "may be a front organization for the CISPEP."

The documents also show several instances in which FBI agents copied license-plate numbers of individual protesters attending public rallies. The Houston office went further, distributing 104 photographs of participants in a 1985 march by the Texas April Mobilization for Peace, Justice and Jobs.

The heaviest barrage of apparently unsupported assertions came from the Pittsburgh office.

"The CISPEP leadership covertly furnishes funds and materials to the guerrillas in El Salvador, assists in the maintenance of camps in the U.S. for the rehabilitation and indoctrination of Salvadoran guerrillas either to be returned to the fighting in El Salvador or to remain in the U.S. to establish guerrilla cells." Pittsburgh reported in 1984.

Hugh Byrne, CISPEP political director in Washington, called the allegations about training guerrillas "ludicrous" and "nonsense."

Pope Appeals to Ortega For 'Real Democracy'

Compiled by Our Staff From Dispatches

SAN JOSE, Costa Rica — Nicaraguan government and rebel negotiators ended their first direct peace talks Friday without achieving a cease-fire but agreed to resume their talks Feb. 10, their mediator said.

The mediator, Monsignor Roberto Bosco Vivas, announced the next session at the end of two days of talks in San Jose, which he said were conducted "in a climate of much sincerity and respect."

"The meeting was very positive, and it will exist on both sides to seek a cease-fire in Nicaragua," Bishop Vivas said.

He noted, however, that the date for the meeting was subject to approval by the archbishop of Managua, Miguel Obando y Bravo, who was unable to mediate the San Jose talks because of a trip to the Vatican. Bishop Vivas is the auxiliary archbishop of Managua.

The cease-fire talks are taking place under the framework of the Central American peace plan signed by the presidents of Nicaragua, Honduras, El Salvador, Guatemala and Costa Rica on Aug. 7.

In Washington, President Ronald Reagan forged ahead with his campaign to persuade Congress to give \$36 million in new aid to the rebels, known as contras. All but \$3.6 million of the aid would be in nonlethal assistance. (AP, Reuters)

democracy was necessary to achieve peace in Central America, Vatican officials said.

Mr. Ortega described his 30-minute private conversation with the Pope as "constructive and frank." The pope, he said, was part of an effort to bolster the Central American peace process and generate opposition to the Reagan administration's policy of aiding the contras.

A statement on the meeting by Joaquin Navarro-Valls, the chief Vatican spokesman, said the Pope reaffirmed his support for the Latin American peace plan, "particularly the right of populations to live in a political regime based on the principles of true democracy."

John Paul, according to the statement, "expressed to President Ortega the hope and need that peace in the region is achieved, underlining the necessity that it is carried out through a faithful dialogue, with respect for the fundamental rights and freedoms of all."

A senior Vatican official who had discussed the meeting with the Pope said, "Ortega listened more than he talked."

It was the first time that the Pope had seen Mr. Ortega in almost five years. In that time, relations between the Vatican and the Sandinista government have been marked by tension and occasional hostility over the expulsion of priests from Nicaragua and other actions perceived by the church as restrictions on religious liberties.

Vatican officials said the meeting Friday did not indicate an improvement in those relations but was a sign of the Pope's interest in the peace process.

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Sweeping Anti-Bias Bill Is Approved by Senate

By Irvin Molotsky
New York Times Service

WASHINGTON — The Senate has passed a civil rights bill that would reverse the impact of a 1984 Supreme Court decision that significantly limited the reach of federal laws against discrimination.

Proponents called the bill, which passed Thursday night, one of the most significant pieces of civil rights legislation to come before Congress in many years.

The Supreme Court ruling, in a case brought by Grove City College in Pennsylvania, held that the federal law banning sex discrimination in colleges and universities that receive federal aid applied only to the specific program receiving such aid, not to the entire institution.

Thus, if a college discriminated against women in a program that did not receive federal aid, it could not face the loss of federal assistance in other programs.

The vote in the Senate to apply federal laws against discrimination to the entire institution rather than just the part or parts receiving federal aid was 75 to 14. The 14 votes against the bill were cast by Republicans.

The bill now goes to the House, which is expected to approve it by at least as lopsided a vote.

However, a White House spokesman, Leslye Arsh, said: "We oppose the bill in its current form. There's a veto signal out there."

Senator John C. Danforth, Republican of Missouri, said he expected that an abortion amendment be sponsored, which would encourage President Ronald Reagan to sign the bill. The amendment states that colleges, universities or hospitals would not risk losing federal funds if they declined to provide abortions or abortion-related services to women.

's Wreckage

Mauritius

ch for the bombing... off by the... after its batteries... transportation... debris field... the plane broke up... the aircraft went down... was scheduled to... Mauritius to... the captain radioed... of debris and the... as previously found... wreckage, recovery... use of a French... search for the... Atlantic.

AMERICAN TOPICS

Big Studios Survive Hollywood's Changes

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Hollywood changes all the time, but the major studios survive, notes Aljean Harmetz in The New York Times. "Like chameleons, they adapt to each decade — changing ownership, shedding their sound stages, producing television series for the networks and building video-cassette companies.

"The studios of the '80s are very different from those mythical creatures that controlled popular culture 50 years ago. But they still carry the same names — Metro-Goldwyn-Mayer, United Artists, 20th Century-Fox, Paramount, Warner Bros., Columbia and Universal." And they still control most of what goes on in the film industry.

All the big studios are conglomerates, or are owned by conglomerates. Paramount is part of Gulf & Western Inc.'s Entertainment Group, along with Madison Square Garden, the New York Knicks basketball team and 894 film theaters. And 20th Century-Fox, controlled by Rupert Murdoch, the press magnate, has started a television network, MCA, the parent company of Universal, holds 50 percent of the huge Cineplex Odeon theater chain.

Warner Communications shares ownership of the MTV and Nickelodeon cable television channels. It is buying a 50 percent interest in 454 of Paramount's theaters. Amusement parks bring Disney most of its revenue. Columbia Pictures Entertainment, controlled by Coca-Cola, also comprises Loew's Theaters.

Short Takes

When S. Brian Wilson, protesting weapons shipments to Central America, sat on railroad tracks leading to a naval armaments station near San Francisco on Sept. 1, a train ran over him, severing both legs below the knee. He is learning to use artificial legs and has filed a

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AMERICAN TOPICS

Herald Tribune

What Is Bush Hiding?

As long as Vice President George Bush offers his experience in world affairs as a qualification for his presidential candidacy, the questions he refuses to answer about the Iran-contra affair will haunt him.

Even with its gaps, the record compels the conclusion that Mr. Bush knew or should have known enough to warn President Reagan against shipping arms to Iran in return for hostages.

Then, consider the fact that the vice president attended many national security meetings and had other opportunities to learn, or strongly suspect, that this cardinal principle of anti-terrorism was being violated.

It is wholly implausible that the vice president did not come to know until a month after the White House began to admit the weapons sales and the diversion of profits to the Nicaraguan rebels.

But consider his position now. He selectively approves Mr. Bush's claim of confidentiality for advice given to the president.

Voicers must consider these possibilities: 1. Mr. Bush knew all the relevant facts and argued against the policy but was overruled by the president.

It is so, it is understandable that he would not wish to say "I told you so" to the president in public. But if that were the truth, the president, who obviously values Mr. Bush's service, would have every reason to say so now.

Their Hands Outstretched

Seven times last summer the Senate majority leader, Robert Byrd, tried to break a three-month-long Republican filibuster against a bill to reform the squallid American system of congressional campaign finance.

He has two targets: the moderate Republicans so fond of being seen, often with cause, as the constructive swing votes in the Senate, and Minority Leader Bob Dole.

The bill seeks to impose spending limits on Senate races only (the House would add what rules it chose for itself). The Supreme Court has said it is a violation of free speech to impose such limits absolutely, they would thus be voluntary, binding only on candidates who chose to accept federal funds.

Mr. Dole should too. His involvement arises partly from his presidential candidacy, a theme of which is his (demonstrated) legislative leadership. The supposed ultimate Republican objection to the bill is that it would make public funds available to finance campaigns.

Mr. Dole is cheerfully accepting public funds to help finance his presidential campaign, and it doesn't seem to have hurt him a bit. Mr. Dole has the power to break the impasse on this legislation. He and the Senate would both be the better for it.

The problem with the present system is that it has no upper bound. The cost of office has raced ahead until the parties are bidding for power with dollars.

2. Mr. Bush knew and went along, content to raise peripheral questions. That is the possibility the record supports most strongly. A recently disclosed White House memorandum portrayed Mr. Bush as "solid" for the hostage-trade plan.

The vice president has explained that he went along with arms transactions not realizing they were hostage ransom. But how could anyone in his position not have realized that? Indeed, Mr. Bush almost admitted knowing it when he told Dan Rather, the television anchorman, "So if I erred, I erred on the side of trying to get those hostages out of there."

3. Mr. Bush was so uninvolved or inattentive to this stunning undertaking that he did not learn about it until December 1986. It is wholly implausible that the vice president did not come to know until a month after the White House began to admit the weapons sales and the diversion of profits to the Nicaraguan rebels.

If the vice president's explanations are thus unconvincing, the president's latest ones are astonishing. From the day the scandal broke, Mr. Reagan pledged full disclosure from himself and his administration. He waived executive privilege in response to the investigators.

But consider his position now. He selectively approves Mr. Bush's claim of confidentiality for advice given to the president. And he does some selective remembering.

— THE NEW YORK TIMES

The Challenge Now Is to Manage Success

By Charles Krauthammer

WASHINGTON — With fin-de-Reagan fatigue upon us and, according to this month's conventional wisdom, the decline of the American empire to follow, American successes are not a hot topic. They should be. Like it or not, the United States is facing a variety of foreign-policy successes around the world.

The challenge is not to blow them. Since Vietnam, America has had much practice in managing failure. It has had so little practice managing success that it may be losing the knack.

One success has already largely been frittered away. The deployment, over strong pressure from Moscow and the peace movement, of Euromissiles was the most important and moderate American foreign-policy achievement of the decade. The Russians tried to demonstrate that, through threat and pressure, they could achieve nuclear domination of Europe and, in effect, exert a veto over NATO military deployments.

It was an achievement of the first order. Unfortunately, it is largely undone by the INF treaty now before the Senate. Both American and Soviet intermediate-range missiles will now be removed from Europe. But the United States, separated from Europe by an ocean, needed to leave at least some Euromissiles in place to give credibility to the increasingly incredible American nuclear guarantee.

The zero option is not the end of the world (though it may in time be the end of NATO). But it shows how an absence of strategy and a lack of tactical nimbleness can undo a foreign-policy gain.

Another little-noticed success is the refloating of Kuwaiti ships in the Gulf. It set limits on Iranian action, greatly enhanced U.S. influence with the oil-rich Arab states, calmed Arab security fears in the face of the Iranian threat and secured a Kuwaiti lifeline to the Arabian Sea.

It also yielded a lesson on multilateralism, that favorite cover for isolationists. After the United States entered the Gulf, the allies followed. It was a convincing demonstration that the way a superpower gets multilateral allied support is not to plead for it, but to lead the way.

The U.S. success in the Gulf could be blundered away, too, through here not by underplaying America's hand but by overplaying it. There is talk of (and pressure from) navy commanders in the area for enlarging the U.S. mission to include the defense of any vessel, not just those flying the American flag.

The other generally unremarked success of recent American foreign policy is the Reagan Doctrine, under which the United States is supporting anti-communist guerrilla insurgencies. In every one, the guerrillas are on the move. In Afghanistan, they are already achieving strategic victory.

But it is in Nicaragua that the American propensity to undo is on most extravagant display. The Sandinistas are in trouble: The economy is in collapse, inflation since November is at 13,000 percent, shortages are so severe that they threaten the regime's survival.

By continuing aid to the contras can the United States hope to return democracy to Nicaragua. In fact, such aid is unlikely to have that effect.

Nicaragua has just taken steps toward democratization, but to comply with the Arias plan, as a concession to the contras, Mr. Reagan may flippantly say "phony."

It is an all too familiar pattern: Negotiations that might achieve U.S. objectives are eschewed in favor of continued aid to the contras, who haven't a chance of achieving any of them.

The president also insists that only

willas are reported to have captured the government-Cuban garrison at Cuito Cuanavale. And in Nicaragua, the 15,000-man contra army has shown unexpected military ability and built significant support among the peasantry and the internal opposition. The Sandinistas have been forced into direct negotiations with them.

It will take tactical dexterity — and steadiness about goals — not to deal away these successes. The object of guerrilla war is to get to power. In Afghanistan, that means resisting pressure from the Russians for some communist role in a future government.

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As the time nears for America to reduce the overblown armada it has assembled in the Gulf, the waiting probably will have to be discontinued. The Gulf Arabs have bluffed the Pentagon providing them with more protection against Iran than they are willing to provide for themselves.

American officials who want to tie the current tension to establish long-term military facilities in the Gulf by the sky have found the situation, weary in avoiding a divisive new debate over energy security and guaranteeing oil supplies from the Middle East.

Mr. Carlucci appears to bring to the Pentagon a new sense of restraint and realism about the shaky base of regional support on which the American building in the Gulf perches. On his trip to the Gulf, he avoided the kind of rhetoric and self-congratulation that helped back Caspar Weinberger onto the ladder of escalation.

The key moment came in Riyadh when an obviously agitated Fahd tried to squeeze a new commitment out of Mr. Carlucci to protect Saudi interests, which is now outside the tacit truce that the United States and Iran seem to be observing in the Gulf.

Speaking elliptically, the king asked about American policy regarding commercial vessels not flying the U.S. flag that are intercepted by Iranian gunships. Did U.S. warships have to wait until neutral ships were fired on before coming to their assistance, or could the United States see its way clear to authorize earlier protection?

We will think about that, Mr. Carlucci replied. Later, in Paris, he got Fahd's question to Prime Minister Jacques Chirac, who has authorized France's smaller but parallel buildup of naval forces around the Gulf.

Mr. Chirac immediately said the United States and France should agree to Fahd's suggestion. But he added two conditions: There had to be a consensus among the European countries and the United States on any expansion of their naval protection in the Gulf, and the Gulf coastal states would have to agree to participate militarily in the new effort.

It was an elegant evasion, since both the French and the Americans were sure that the Saudis would not agree to put Saudi frigates in the water to take on Iranian gunboats harassing commercial shipping.

While asking the Western powers to provide more protection, the Gulf Arabs themselves are still fearful of involving their forces directly in the confrontation with Iran.

That is the reality behind the smoke and mirrors some senior officials in the Pentagon are using to try to make it seem that the Europeans and the Arabs are taking on significantly expanded military roles in support of the United States in the Gulf. Unlike Mr. Weinberger, Mr. Carlucci does not seem to be taken in by smoke and mirrors.

The other condition set by Mr. Chirac, for a Western consensus, also puts a hidden brake on Western military expansion. Mid-level U.S. and French officials have concluded that Britain probably would not join in such a consensus and is pursuing a separate policy that is more favorable to Iran than London acknowledges.

One sign of this attitude comes in softening British support for a United Nations resolution setting conditions that would be applied to Iran alone. Presiding over the Security Council this month the British did not move effectively to break the continuing Soviet stall on the issue.

In this tangled web of evasions and deception, Mr. Carlucci's careful but clear-eyed reassessment of the U.S. presence in the Gulf is a promising development. Not trying to deceive others, he is not likely to deceive himself.

The Washington Post

The Path to More Contra Aid Is a Modern 'March of Folly'

WASHINGTON — In "The March of Folly," the historian Barbara Tuchman notes the compulsion of leaders all through history to behave woodenly — to follow policies contrary to those indicated by good sense and enlightened self-interest.

Calling Philip II of Spain "the surpassing woodenhead of all sovereigns," she observes, "No experience of the failure of his policy could shake his belief in its essential excellence."

Philip's title is now on the line. In seven years' time, the U.S. policy of aiding the contras has produced only ingratitude, national humiliation and the condemnation of the United States by the World Court — to say nothing of the suffering it has caused in Nicaragua.

Mr. Ortega urges that the United States and Nicaragua negotiate their differences. He emphasizes the Sandinists' willingness to address U.S. security concerns.

Perhaps President Reagan considers negotiations with Nicaragua to be beneath his dignity. But what of discussions with the Soviet Union? During the summit meeting, Mikhail

sumably only contra aid can stop. In fact, it is quite the other way around. As President Daniel Ortega Saavedra made clear in a recent article (IHT, Jan. 15), there will be no augmentation of Nicaraguan forces if the plan authorized by President Oscar Arias Sanchez of Costa Rica works. Indeed, they could then be reduced.

True, Moscow and Managua have discussed the creation of a militia of 600,000 members and Nicaragua's acquisition of more sophisticated weapons. But as Nicaraguan documents, such upgrading would occur only in the event of "a sustained escalation of American aggression" via a mercenary war and the continuing threat of a large-scale military action by the United States.

Mr. Ortega urges that the United States and Nicaragua negotiate their differences. He emphasizes the Sandinists' willingness to address U.S. security concerns.

Perhaps President Reagan considers negotiations with Nicaragua to be beneath his dignity. But what of discussions with the Soviet Union? During the summit meeting, Mikhail

Moses Mayekiso: His Crime Was to Lead His People

By Herman Rebhan

GENEVA — On Monday, a trial reopens in Johannesburg after a long holiday break. It is that of Moses Mayekiso, a young man with the potential someday to lead that great but tragic country.

He is not known outside the country. But in South Africa hundreds of thousands of factory workers and millions of blacks in the townships know of Moses Mayekiso. Not yet 40, he is part of the new generation of trade union leaders who have risen along with South Africa's growing black trade union movement.

Like Cyril Ramaphosa, the black miners' leader, Moses Mayekiso's leadership qualities were forged at an early age in the cauldron of strikes, township revolts and constant negotiation with employers, the police and the contending forces that seek to speak for the mine's blacks.

Fifteen years ago, there were only 20,000 blacks in South African trade unions. Now nearly two million blacks are organized. The state of emergency has dampened the violent revolt of a few years ago, but worker militancy has not cooled.

Last year, according to the South African government, more work days were lost in strike action than in any previous 12 months. The black trade union movement is now a powerful and permanent force.

The unions have been a school for democracy, organization and self-reliance for all sorts of blacks — for cashiers and clerks, autoworkers and miners, for employees of the state and those who work for European and American firms. The arts of negotiation, leadership and, perhaps most important, compromise and survival, have been learned by thousands of once-voiceless blacks.

Moses Mayekiso grew up on a farm before getting a job at a newly opened Toyota factory. He worked hard to educate himself, much like some of the great European trade union leaders have done (Britain's Ernest Bevin comes to mind).

Mr. Mayekiso's warmth and eloquence made it natural that his fellow workers would turn to him when they decided to form a union at the

Alexandra Action Committee. It organized rent strikes, school boycotts and set up so-called People's Courts — unofficial tribunals to discipline the hoodlums and petty thieves who had been plaguing the township.

Mr. Mayekiso was also accused of possessing political books and pamphlets picked up in Europe — the sort of literature that is freely and innocently distributed whenever leftists gather in democratic countries.

His trial is expected to last for most of this year. He faces a possible prison sentence of 15 years.

The man on trial in Johannesburg represents part of the future of his country. I only hope that when Moses Mayekiso is sitting in some ministry in a majority-ruled South Africa, he will be as merciful toward his former guards and judges as they are likely to be pitiless toward him.

The writer is general secretary of the International Metalworkers Federation, a Geneva-based group representing 14 million workers. He contributed this comment to the International Herald Tribune.

A Seven-Faced Man Who Knows the Mind of the French

By William Pfaff

PARIS — With an effect rather like that of the Zen master's one that clapping, the French press has launched a campaign with only one man running. Or only one of the principal candidates yet running — Prime Minister Jacques Chirac.

The second conservative candidate, Raymond Barre, has not declared, but will soon do so. The missing man is President François Mitterrand. But if he is not yet running, he is dominating the race by his absence.

Mr. Mitterrand says he will announce his decision in good time. Posters, though, are appearing: a trusting baby reaches out to touch a menacingly hand, under the words "Génération Mitterrand." What is this Mitterrand Generation? Could another Socialist lead it? Several Socialists would like to try, but by now they are pretty discouraged. He Mr. Mitterrand even a Socialist? He did not start as one. He may not end as one.

A sardonic student of Mr. Mitterrand's career, a journalist named Catherine Nuy, identifies seven François Mitterrands who have succeeded one another during the seven years of his presidency. He took office as François-Léon Blum, leader of a triumphant Popular Front of the left. He will leave office, she says, as François-Augustus, a benevolent Caesar.

Along the way he has been François-Reagan, after abandoning Socialist economics for the market place, and — as one of his enemies adds — François-Pétain, Father of the Nation. Miss Nuy says that he has one more personage to assume before his career is finished, that of François de Gaule, "taking over the Gaullist heritage in its totality."

The president's disavowance and capacity for metamorphosis engages as well as baffles his opponents, causing Mr. Chirac — young, dynamic, ag-

gressive, unstoppable — to seem an obstreperous guest at the electoral party, carrying on noisily in the corner. The professor Mr. Barre, earnest, fresh and annoyed, Mr. Mitterrand, one assumes, is enjoying himself hugely.

He has a clear lead in polls on public approval, and in most polls on useful to check the excesses of both left and right. With time, however, the disadvantages have become increasingly apparent. And in a little-remembered poll, the same people who give overwhelming approval to Mr. Mitterrand say that they also think him too old to run for a new seven-year presidential term. He is 71.

If he were to run and to be re-elected, he would have virtually no chance of re-creating a leftist parliamentary majority to support him. It would not even be in his interest to dissolve Parliament and ask for a new vote on parliamentary deputies. The present National Assembly was elected by proportional representation, which maximized the left's advantages. The law has been changed and a new Assembly would be elected on the winner-takes-all principle.

Thus Mr. Mitterrand would have to continue to coexist with the right, or to divide it. He could name a centrist or a nonpartisan figure as prime minister. Mr. Chirac, defeated for the presidency, would no longer be the force he is now. The right's ex-minister in the Assembly is only two votes. Mr. Mitterrand could even name former President Valéry Giscard d'Estaing as his prime minister. Mr. Giscard d'Estaing would quite possibly accept Mr. Mitterrand, a product of the Fourth Republic, is a master of parliamentary maneuver and combination. Perhaps he could divide and dominate. It would be to his taste to try.

That he will run in April, and win in May, is generally assumed. Yet one wonders if this outcome is what, in the end, the French voters will decide. It is true that it would all be highly entertaining, and the French, as they admit, are easily bored. It would also probably be harmless. Little really separates

the parties these days on the major issues and policies. On foreign policy and security there is virtual unanimity. It is possible the French will decide to write an alternate ending, if only because this one is so predictable. It is possible that what they really are bored with is cohabitation. It is possible that when summer begins the French will have a different president. One could quote Eliot to Mr. Mitterrand: History has many cunning passages, contrived corridors / And issues, deceives with whispering ambition / Guides us by vanities.

International Herald Tribune. © Los Angeles Times Syndicate.



Drawing by LURIE

Other Comment

Gulf: A Broader French Role

The present escort operations help only a fraction of the merchant ships in the Gulf. Iran's gunboats still attack ships from countries that do not send their own warships to protect them. Warships from the six Western navies often have to watch these attacks but do nothing, forbidden to intervene by their "rules of engagement."

France has decided to abandon this miserable arrangement. The commander of the French force in the Indian Ocean, Rear Admiral Guy Labouerie, [has] announced that the French navy will no longer cruise idly past while the Iranians blast away at merchantmen. His ships will not only go to the aid of any neutral merchantmen hit in an attack (as all the navies do). They will also, when they can, stop them being attacked.

Neutral merchantmen carrying neutral cargoes to neutral countries have a right to stand aside from the war. Not to protect them, when the means are at hand to do so, is a craven cop-out.

— The Economist (London).

As the Contra Vote Nears

We should and can both support the Central American peace process and sustain the Nicaraguan resistance while the Sandinistas' promises are put to the test.

Each side in the U.S. debate should concede that the other's position has proved to contain an element of truth: The combination of regional diplomacy and the increasing pressure of the contras together have brought progress and should guide us.

The administration and Congress should avoid seeking narrow victory in an up-or-down vote Wednesday on new military aid. Instead, we should seek bipartisan support for a new policy that includes the best elements of diplomacy and military pressure.

The United States should reaffirm its strong support for the Central American peace accords and the principle stated by its author, Oscar Arias Sanchez: "Without democracy there can be no peace."

Washington should provide additional aid for a cooperative economic development effort among those nations that have complied with the democratization provisions of the Arias plan. Let the Central American democracies recommend to the United States whether Nicaragua should be eligible.

If the Nicaraguan government fails to meet specific standards for democratization by a given time, the funds appropriated should be released to sustain the Nicaraguan resistance. If the Sandinistas do meet the criteria, the funds should instead be used to rebuild Nicaraguan civic and economic life.

— Charles Robb, former governor of Virginia, writing in The Washington Post.

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Vertical text on the right edge of the page, including 'Belgium: N...', '100, 75 AND 50 YEARS AGO', and '1938: Irish Unity Vote'.

Handwritten text at the bottom center: 'Official 50'

Reagan Ends Duty-Free Rights of 4 Asia Nations

WASHINGTON — President Ronald Reagan, denying any positive intent, revoked on Friday duty-free privileges enjoyed by Hong Kong, Singapore, South Korea and Taiwan.

Moving on the recommendation of a cabinet-level committee, Mr. Reagan ordered the four Asian countries removed from a list of 141 developing countries that receive preferential treatment for exports to the United States.

Trade preferences for the four nations will be removed in January 1989, affecting nearly \$10 billion in exports to the United States.

The action was the first time that any nation had been removed entirely from the system, although in the past individual products have lost their special status.

"This move should not be interpreted as penalizing any of the nations and Martin Frazier, the White House spokesman, said, "On the contrary, it reflects the great economic successes they have had. All four are good friends and valued trading partners."

However, he said the system of trade preferences is designed to help emerging economies, and when countries no longer need assistance, they should be removed.

The United States incurred a \$28.8 billion trade deficit with the four countries in the first 11 months of 1987, compared to a \$30.4 billion deficit for the same period with Western Europe, according to the Commerce Department.

Mr. Reagan's step, which followed a recommendation by the White House Economic Planning Council, was criticized by the Computer and Business Equipment Manufacturers Association.

"We are losing a valuable tool in negotiations on intellectual property rights," said an association official, Charlotte LeGates.

The industry group wants guarantees of greater protection of U.S. copyrights for computer programs and other high technology in the Asian nations, particularly in South Korea, where piracy has been a problem in the past.

Imports from the four countries have spiraled because of lower-labor costs there and because the U.S. dollar has not depreciated against their currencies as much as it has against the Japanese yen and European currencies, trade officials say.

A weaker dollar makes imports more expensive and U.S. goods cheaper abroad. Recent exchange rate changes have, for instance, driven up the cost of many Japanese goods. However, imports from the other four Asian trading partners generally have not seen such price rises.

For more than a year, Reagan administration officials have pressed the four nations to change their currency and trade policies.

The system of trade preferences permits the specified nations to export certain products to the United States either duty-free or at reduced duty.

Meanwhile, other U.S. officials, who asked not to be identified, said Mr. Reagan was likely to act next week on \$105 million in proposed sanctions against Brazil.

The sanctions are in retaliation for Brazil's refusal to permit imports of U.S.-made computer software. U.S. officials have said in the past that the possible list of products to get new tariffs includes Brazilian-made shoes, automobiles and electronics equipment.

"The U.S. trade representative, Clayton K. Yeutter, has recommended imposition of the sanctions. But a final White House decision is being delayed, the sources said, because of negotiations in New York between Brazil and its creditors on refinancing its debt."

The more aggressive policy toward Brazil and the Asian nations comes as a House-Senate conference committee resumes work on tough trade legislation.



FRENCH-BRITISH SUMMIT MEETING — Prime Minister Margaret Thatcher of Britain and President François Mitterrand of France during a news conference Friday, ending a one-day summit meeting in London. Mrs. Thatcher also met separately with the French prime minister, Jacques Chirac. The leaders agreed to increased military cooperation and backed the U.S.-Soviet arms accord but failed to resolve differences over European Community spending.

Court Ruling Strains U.K.-Irish Ties

By Barry James
International Herald Tribune

British-Irish relations have been further strained as a result of the decision by a British appeals court to uphold the convictions of six Irishmen sentenced to life imprisonment for bombing two bars in Birmingham, England, in 1974.

"This has been a sad and disappointing week for Anglo-Irish relations," said Peter Barry, a former Irish foreign minister. Mr. Barry helped negotiate the 1985 British-Irish agreement that for the first time gave Ireland a consultative voice in the running of Northern Ireland.

The verdict Thursday followed an announcement earlier in the week by the British attorney general, Sir Patrick Mayhew, that he would not prosecute Northern Ireland police officers alleged to have carried out a "shoot to kill" policy after six republican sympathizers in a pub in Derry in 1982, in which 21 people were killed and 160 injured.

In commenting on the court's rejection of the appeal, an Irish government spokesman said the court had not removed Dublin's concern that there had been a miscarriage of justice. It added, "This is a concern which is shared right across the political and legal spectrum."

Gerry Collins, the Irish minister of justice said: "I am amazed and very saddened at the rejection of the appeal. A very wide volume of opinion believes these people are innocent."

The defendants, who have always maintained their innocence, claimed that their confessions had been beaten out of them by the police. They also questioned forensic evidence that suggested they had handled explosives.

"These men are innocent," said Edward Daly, the Roman Catholic bishop of Derry in Northern Ireland. "I am heartbroken for their families."

Both the appeals court verdict and the decision not to prosecute the Ulster policemen are likely to be raised at a meeting of the British-Irish conference, established by the 1985 accord, in Northern Ireland next week.

Israel's Other War: With Foreign Media

By Glenn Frankel
Washington Post Service

RAMALLAH, Israeli-Occupied West Bank — The television crews seemed to outnumber the soldiers on the winding, foggy streets of this market town Friday morning.

The soldiers moved from shop to shop ordering reluctant Arab merchants to open or pry open padlocks and metal shutters with crowbars and sledgehammers.

Each patrol was followed by a camera crew, faithfully recording the harsh clang of hammers on metal, the grim determination on the faces of the young troops and the resigned, bitter expressions of the shopkeepers.

At one point a young officer, bemused by the video camera lurking constantly over his shoulder, took out his own camera and snapped shots of the television crew taking pictures of him.

There are now between 600 and 700 foreign reporters, cameramen, soundmen, photographers, editors and television producers covering the seven-week wave of unrest in the occupied West Bank and Gaza Strip, according to the Israel's Government Press Office. That includes 250 to 300 journalists who are permanently based in Israel and another 350 to 400 who have been temporarily accredited during the violence.

They are beginning to step on each other, and on the story.

Israeli officials call it "the other war" — the propaganda struggle that Israel and its Palestinian foes have been waging inside the larger military struggle for control of the occupied territories.

For several weeks, Israel has been treated to saturation coverage from the cameras and front-page treatment in the press.

Officials, who are at times hard-pressed to justify some of the scenes the cameras capture, profess to have a degree of anti-Israeli bias, even anti-Semitism, in the invasion of media men and machines.

"Why don't you cover riots in Bangladesh or the displacement in the slums of Rio de Janeiro the way you cover the refugee camps here?" an army spokesman named Danny asked reporters.

"The Israeli feeling that the world is against them is being fed by the enormity of the coverage," said Harry Wall, director of the local office of the Anti-Defamation League of B'nai B'rith.

The cameras have been on the scene since the beginning.

building and work permits — as diplomatic moves to open negotiations gathered pace.

In several parts of the West Bank and in Gaza City, minor incidents flared after noon prayers with youths blocking roads and throwing stones at soldiers, who responded by firing tear gas.

In Jerusalem, near the Mosque of Omar, some men, hidden by trees, burned a flag they had drawn on a piece of paper, police said. They said it was not possible to say which national emblem was involved.

The government announced a series of small steps — the release of 100 prisoners in the Gaza Strip, the jailing of soldiers for excessive beating, steps to ease Palestinian family reunification and an increase in

At first the Israelis didn't respond well to all the media attention," Mr. Wall said. "They weren't just shooting Palestinians, they were shooting themselves in the foot as well."

"At the same time, a lot of reporters who come in here for a few weeks don't understand the situation and don't realize that Gaza isn't Berkeley in the 1960s. They're throwing stones out there, not making peace signs. Some of the reporting has been exaggerated and extremely unfair."

For weeks the army declared large portions of the Gaza Strip off-limits to reporters and cameras even while government officials contended that the press was free to cover the story. The rationale was that cameras often incite to violence demonstrators who want their anger and their desperation conveyed to Americans on the evening news.

Lately, however, as the unrest has begun to recede, the army has tried to smother the press with kindness. A new information center has been opened in Jerusalem, operated 16 hours a day by military spokesmen to provide daily updates.

The center is working to give the military a human face, offering trips into the field with Israeli soldiers and interviews with some of the army's articulate and motivated officers.

But problems still arise. Defense Minister Yitzhak Rabin announced a policy 10 days ago of "force, power and beatings" and Palestinians and United Nations officials alleged that hundreds of broken bones and other injuries ensued.

Some officials blamed the press, saying reporters had misinterpreted Mr. Rabin's hardline statements — he had intended that only alleged rioters be hit during violent incidents, they said — and had exaggerated the number of beatings that followed.

Two camera crews were themselves roughed up by soldiers while attempting to film assaults on civilians in Ramallah and Gaza City.

The army apologized after both incidents, but a former government information director, Zeev Chafets, author of a book critical of media coverage of Israel, warned the army against sanctioning a "policy of terror" against the press similar to that he said had been conducted by Syria and the Palestine Liberation Organization.

Shultz Urges New Tactics in Mideast

By David B. Ottaway
Washington Post Service

WASHINGTON — Secretary of State George P. Shultz called Friday for "a new blend of approaches" to get the deadlocked Middle East peace process moving amid indications that the visit to Washington by President Hosni Mubarak of Egypt failed to arrive at any agreement on a new initiative.

At a luncheon for Mr. Mubarak at the State Department, Mr. Shultz said, "I believe we have come to the point where illusions about the past and old approaches to resolve the problems need to be tested against the new realities."

Neither side indicated what these "new ideas" were. But in an interview Thursday with The Associated Press, Prime Minister Yitzhak Shamir of Israel said the talks in Washington had concentrated "on the question of substance, not of procedure" and were aimed mainly at finding an interim solution allowing for local autonomy of the Israeli-occupied West Bank and Gaza Strip.

Mr. Shultz, in a veiled reference to continuing U.S. doubts about this approach, warned that good plans would remain useless "if they do not find an expression in action."

Mr. Mubarak said he had listened "carefully and attentively" to the "new ideas" proposed by the administration.

Such a solution, he said, would be "more or less" along the lines spelled out in the 1978 Camp David accords signed by Israel, Egypt and the United States but never implemented. Mr. Shamir said he was willing to discuss possible changes in those accords.

But Mr. Mubarak told congressional delegations he met Thursday that he thought the Camp David provisions for local autonomy were now "a dead letter" and "an idea whose time has past," according to one congressional source.

PANAMA: Indictment Possible

(Continued from Page 1)

authorities in the hope of reducing the time he must serve.

Mr. D'Amato described an extensive network involving General Noriega, his top associates in Panama's military and customs services, and transportation and banking officials in Panama.

U.S. Customs officials who testified at the hearing said that financial records from Mr. Kalish's office in Panama bolstered his accusations.

There would be no immediate practical effects if General Noriega were indicted. Under a bilateral 1904 extradition treaty, neither country is required to hand over one of its own citizens for extradition.

But an indictment could limit General Noriega's ability to travel to third countries that might extradite him to the United States. "It would make him a pariah," one State Department official said.

Senator Attacks Noriega

Senator Alfonse M. D'Amato predicted Friday that General Noriega would be indicted on drug trafficking charges and accused him of turning Panama into a huge criminal enterprise. Reuters reported on New York.

Mr. D'Amato, a New York Republican and a frequent critic of the general, said in a television interview that General Noriega "has organized the entire army, and country, into this giant criminal enterprise system."

"He has been a major, major factor in giving safe haven to drug

BULGARIA: Reform Troubles

(Continued from Page 1)

process has been Mr. Zhivkov, a folksy-mannered and astute politician who, though comparable politically to other elderly, entrenched Communist rulers in Eastern Europe, has leaned toward embracing reform rather than resisting Mr. Gorbachev's policies.

Mr. Zhivkov, who recently bragged that he had "the heart of a 45-year-old," appears determined not to be propelled toward the retirement accepted last month by Gustav Husak of Czechoslovakia, another Brezhnev favorite.

Instead, the Bulgarian chief evidently plans to supervise the introduction of the limited market-based framework for the economy and decentralization of political administration favored by Mr. Gorbachev with careful attention to the evolution of reform in Moscow.

Overall, the Bulgarian reforms fall short of those in the Soviet Union. While Mr. Zhivkov has copied a little haphazardly — key economic initiatives from the Soviets and from Hungary, glasnost, or greater openness and debate in the media, culture and public life, has appeared only in isolated instances.

As for other veteran East Europeans, glasnost poses special threats to Mr. Zhivkov. Discussion of the past would inevitably mean a discussion of the failures of his long rule. Moreover, openness in Bulgaria would invite claims by the country's one-million strong ethnic Turkish minority, which was subjected to a bloody assimilation campaign three years ago and now in classic Stalinist fashion, is officially nonexistent.

Despite the continuing political hard line, sympathetic Western diplomats say some real change has taken place in economic activity. In the past year most state companies have formed "self-management" bodies and held elections for managers, and many have been allowed to conduct their own business deals and foreign trade instead of going through a central bureaucracy.

Mr. Zhivkov's zeal for shaking up the government and party apparatus has caused further troubles. Mr. Zhivkov admitted that "thousands" of resentful or uncertain officials had failed to take up the new posts assigned to them.

Outlining the reforms at a party plenum in July, Mr. Zhivkov accused the apparatus of "uncontrollable omnipotence" and said that in the future the party would have to act "only as a political party" and not as dictator to the government.

In his report this week, however, Mr. Zhivkov stressed repeatedly that party control would not be eased.

"Regardless of whether production, day-to-day relations, the mass media or anything else is meant," he said, "We should not and cannot retreat from the class and party approach, from the requirements of our Marxist-Leninist methodology."

BELGIUM: Nation at Home in the Middle of Things

(Continued from Page 1)

plurilateral, a middle-of-the-road attitude that justifies Belgium's claim to be the Crossroads of Europe. On the other hand, middlemenseism suggests a certain anonymity, a lack of image. "In statistical surveys we are always in the middle, the forgotten land," one marketing man says.

"When we were nine in the Common Market we were always between the top four and the bottom four. When we became 11 it was no better."

Belgium's lack of a sense of national identity makes the country not only hard to sell abroad but, worse, extremely difficult to sell at home. The Belgian's allegiance, Belgians say, are to his household and community, not to his country.

"The Belgians have always regarded the state as an invader, even

Selling Belgium to a people contented with middlemenseism is not easy, Mr. de Lausnay says. "Telling them we are the No. 1 carpet manufacturer or the No. 1 billiard-ball makers or the No. 2 world dredging power will not help because they do not feel concerned. Our Belgium makes us too oysterlike, too introverted, too diffident. We have not found a way to make ourselves appealing."

Making a virtue out of the country's lack of cohesion, a coffee-table book that government officials give to foreign visitors is called "Belgium: Unity of Diversity." Mr. De Croo adds that Belgium's lack of a national identity can also be taken as a sign of flexibility.

"We are not as stratified as the Germans, not as obsessive as the French or the British. This quality of being adaptable because we have never adapted is a big card that we can play in the service nation that Europe will be."

Belgium is already literally the capital of Europe since the seat of the European Community is Brussels. But, Mr. De Croo points out, writing paper from EC headquarters tends to be marked *adresse provisoire* — temporary address.

"For almost 31 years a temporary address — that's the resume of Belgium," he says. "It's only temporary that lasts."

Woman Gets Anglican Post

AGENCE FRANCE PRESSE

LONDON — The Church of England on Thursday appointed its first woman dean, to oversee eight rural parishes in southeast England. The Reverend Judith Rose, 50, a former deaconess, was ordained last year following the Anglican synod's decision to allow women to enter the priesthood.

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Brazil's Uncertain Path

A Nationalist Tone

Faltering Economy Seeks a New Model

By William A. Orme Jr.

SAO PAULO — Latin America's biggest industrial center displays few apparent signs of crisis. A 30-mile swath of skyline is broadening further with new office buildings and shopping centers. Fine ethnic restaurants are packed week nights. Highways are crowded with commuter traffic; the well-kept cars are virtually all locally manufactured, as is the molasses-redolent alcohol they burn.

Factories work overtime to fill overseas orders. The automotive industry, including Brazil's increasingly successful armored car manufacturers, tallied a record \$2.8 billion in export sales last year. Citrus concentrate plants here supplied most of the world's exports of frozen orange juice.

São Paulo's Empresa Brasileira de Aeronáutica, cited often as one of the best-run state companies anywhere, sold scores of sleek passenger aircraft to Europe and North America.

The farm country ringing the manufacturing district is planted with the lucrative soybeans that have displaced coffee as Brazil's leading agricultural export.

"São Paulo is the engine that makes Brazil go," a foreign diplomat said. But Brazil's engine has been sputtering lately. Greater São Paulo, with nearly half the country's installed industrial capacity, is suffering the same slowdown in private investment that has been plaguing most of the rest of Brazil for the past five years.

Underemployment is rising and real wages are falling, both for blue-collar factory workers and their college-educated supervisors. São Paulo wholesalers reported that staple-foods consumption dropped 25 percent in 1987's final quarter as compared with the same period a year earlier. Private school enrollment is declining, so are car sales.

"For the first time, the middle class is being hit hard," said Larry Willmore, a United Nations economist who has specialized in Brazil for the past five years. "The economy is now in

Inflation Strikes Back

Tough price controls in 1988 pushed the annual inflation rate down to 65 percent. When controls were lifted in 1987, the rate soared to record heights.



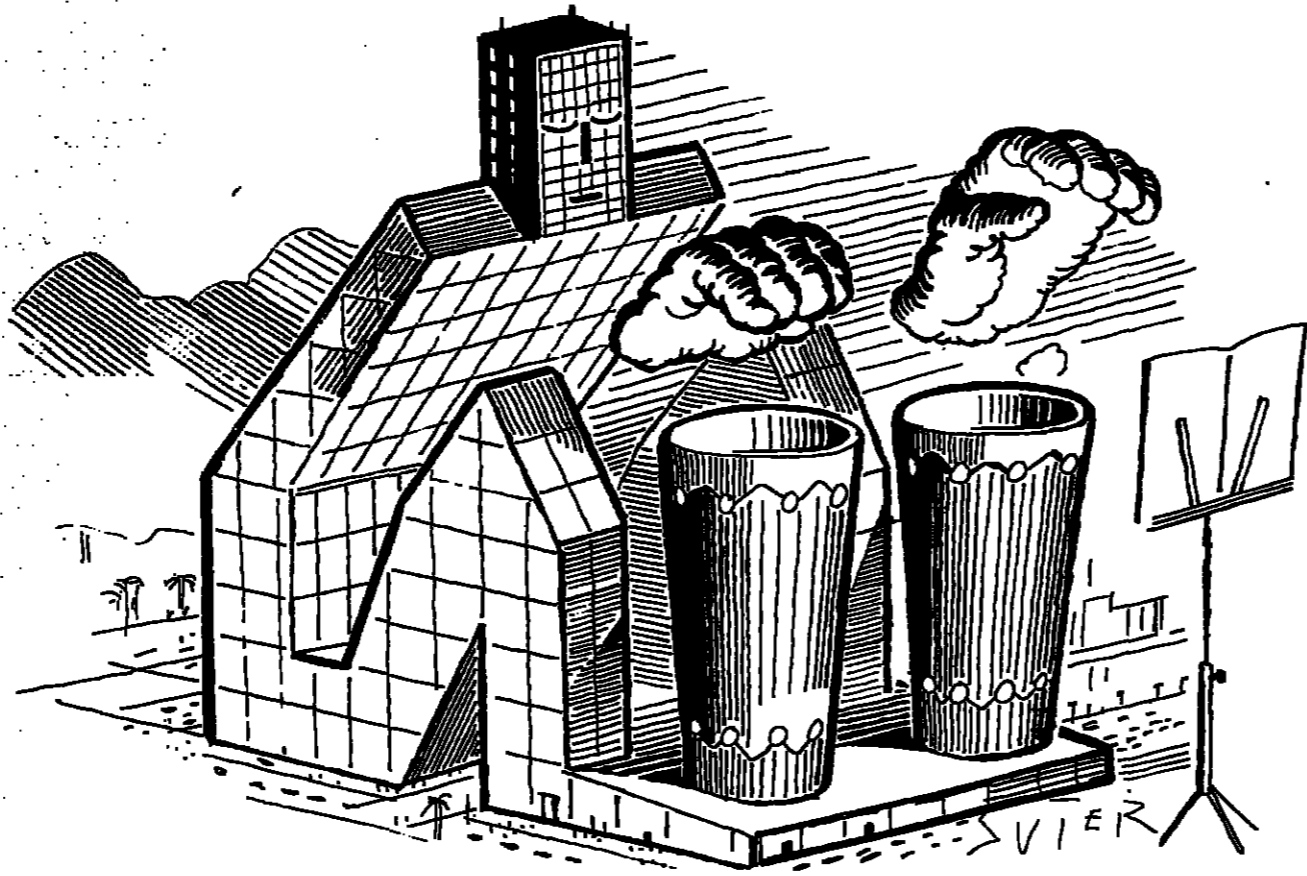
real recession, real decline, and it does not look like it is going to get out of it easily."

This painful end to the Brazilian "miracle" is prompting a broad-ranging national debate over economic strategy and philosophy. Politicians, bankers and economists discuss debts and deficits nightly on television news shows; economic policy disagreements dominate congressional sessions in Brasília and the opinion columns of the quality national press.

The often nationalist tone of these discussions has disturbed some foreign observers. While other Latin American economies are lowering barriers to trade and investment, Brazil has seemed to be veering toward greater protectionism. A nation whose hallmark has been pragmatism is examining economic policy in increasingly ideological terms. Symptomatic of this trend, critics say, are its ban on computer imports and moves to limit nascent industries such as mining to local capital.

Some economists warn of impending industrial obsolescence — what some call the inevitable "Argentinization" of Brazilian manufacturing if the government continues to restrict

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Wanted: A Degree of Coherence In the Government's Policies

By Pedro Pablo Kuczynski

NEW YORK — No visitor to São Paulo, Rio de Janeiro, or Belo Horizonte, no driver of a Volkswagen Fox, the highly rated Brazilian compact exported to the United States, no commuter airline passenger flying an Embraer, no soldier on the Iran-Iraq front in a Brazilian-made armored car can doubt that Brazil is indeed a major industrial power.

At the same time, the drag of poverty in the north and northeast, where about 30 million of Brazil's 140 million people live, and the blow of

er of jobs in rural areas, was a major contributor to economic expansion.

Brazil thus avoided the mistake made by some other Latin American countries of trying to ram through industrialization while at the same time stunting purchasing power in the rural areas by keeping farm prices low for the benefit of the urban masses.

Much of the credit for the strong economic performance of the 60s and 70s must go to the institutionalized government system established by the armed forces in 1964. Instead of the classic caudillo type of autocracy that has been so prevalent in Latin America, the Brazilian armed forces created an institutional although highly centralized system of government.

A basic tenet of the regime was to let civilian professionals run matters that required technical competence. Another was that presidents were representative of the armed forces and should not be potential firebrands; indeed, most of the generals who succeeded one another regularly over 21 years were almost self-effacing.

The stability and continuity of the military regime and a favorable international environment gave Brazil a golden age of industrialization, especially up to the first oil crisis of 1973-1974. The need to import almost 80 percent of oil needs at that time forced Brazil to borrow abroad on a large scale or else abandon growth. The foreign banks obliged, although with considerable hesitation during the two oil crises.

The strain of keeping growth up despite the oil import constraint, and the huge investments

needed to promote greater energy independence, meant that governments tended to keep a loose rein on state enterprises. Their deficits, sometimes hidden from public view, stoked the fire of inflation. To this day, inflation and its various causes are the single most important obstacle to sustained development, as it stifles savings and productive investment.

In the 1970s and early 1980s, wage indexation was the magic formula that concealed the problem, but in the end the scramble of each group to stay ahead showed that it was simply a modus vivendi that did not confront fundamental problems. Freezing prices turned out to be worse.

Independently of governments and the vantage

Continued on page 8

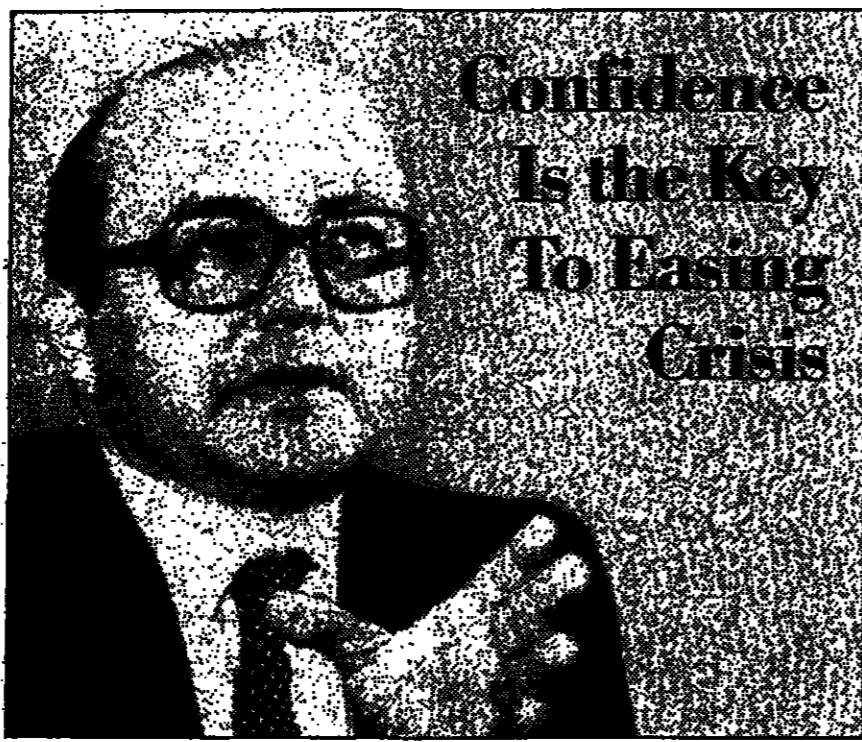
VIEWPOINT

the debt crisis prompt the old question of whether Brazil will always be the country of the future.

In the 30 years to 1980, when growth in Latin America started to wobble, Brazil, with one-third of the population of the region, accounted for almost two-thirds of its economic expansion. Income per capita quadrupled in real terms. Even though there was much discussion, especially in the 70s, about how evenly this prosperity was spread, the fact remains that Brazil has created a broad and strong middle class and that agriculture, a big provider

PEDRO PABLO KUCZYNSKI is co-chairman of First Boston International and managing director of the First Boston Corporation.

Interview



Confidence Is the Key To Easing Crisis

Brazil's new finance minister, Malson Ferreira da Nóbrega, served as general secretary of finance under his predecessor, Luiz Carlos Bresser Periera, who left office in December. Mr. Nóbrega spoke with Mac Margolis and William A. Orme Jr. on Jan. 14 in Brasília. The following remarks were excerpted from the interview.

Q. You are the fourth finance minister in a little less than three years, and you have assumed office in conditions almost identical to your predecessors: inflation of about 14 percent a month, problems containing the deficit and problems with debt negotiations. How do you evaluate this moment?

A. I think the situation is now better, much better, than that which Mr. Bresser had to face when he took over [in April]. First of all, relative prices are in equilibrium, or relative equilibrium. There are still some gaps to be filled, some adjustments to be made, but the chaos that was prevailing at that time does not exist today.

Q. Mr. Minister, could you clarify Brazil's position toward the International Monetary Fund? Now, you have said your predecessor was never opposed to an agreement with the IMF. What he opposed was this mechanical, automatic linkage between commercial loan

disbursements and meeting IMF targets. However, it's well known that that's exactly what your commercial creditors are asking for, automatic linkage. Isn't this the basic impasse?

A. No, I don't think so. What we have been saying here is that the IMF is important to make it feasible for Brazil to get access to other sources of financing. At the same time, we keep saying that we don't see any necessity for Brazil to sign first with the IMF as a precondition for a financing program with the banks. These were positions made by Minister Bresser that we are keeping. Of course, there is some resistance from the banks. Some banks state that linkage is essential, others say it's not. So, it's a matter of talking and discussion, but we are confident that eventually the banks will agree with us.

Q. A cynic might say that the question is academic, because even when countries like Argentina, Mexico and others have consistently overshot their IMF targets, it is very rare when banks actually do cut off their loans. After all, they are loaning in order to be paid back themselves. If that is true, why does it matter to Brazil?

A. Because it is important politically. There

Continued on page 10

IN THE NEWS

Nov. 13: U.S. Imposes Trade Sanctions

President Ronald Reagan imposes \$105 million in tariffs on Brazilian exports to the United States in retaliation for Brazil's restrictions on U.S. computer software. The action came after four years of talks with Brazil, which has acted to limit foreign access to its markets. The sanctions represent the U.S. estimate of the annual loss to American computer companies because of Brazil's protectionist policies.

Nov. 15: Legislators Vote To Limit Sarney's Term

Pending endorsement by the Constitutional Assembly, Brazil's legislators vote to limit President José Sarney's term to four years. If approved, the measure would mean that the first direct presidential elections in Brazil since 1960 would take place in November. Opinion polls show that 80 percent of Brazilians favor an election.

Jan. 3: Judge Orders Trial of Retired General

A judge orders that a retired four-star general be tried for the 1982 murder of a journalist in what could become the first prosecution of a senior army officer since the return of civilian rule in 1985. The general, Newton Cruz, whose last post was as military commander of Brasília, was charged along with two aides with the killing of journalist Alexandre von Baumgarten, his wife and a boatman.

Jan. 5: Finance Minister Announces Priorities

Malson da Nóbrega, an economist and longtime government official, is appointed finance minister. He replaces Luiz Carlos Bresser Periera, who resigned in December. Mr. Nóbrega said he would give priority to reducing inflation and work toward reaching a quick accord with foreign creditors to ease the burden of the country's \$113 billion foreign debt.

Jan. 11: Debt Talks Begin In New York With Creditors

Brazil and its leading creditor banks, headed by Citicorp, begin talks in New York on restructuring the country's \$70 billion in medium- and long-term debt. Before the meeting, a Finance Ministry source announced that Brazil would seek a quick agreement with the IMF on its foreign debt and that it had dropped a long-standing demand that private banks first agree to a refinancing package.

Jan. 22: Brazil Ready To Pay First 1988 Interest

A Finance Ministry official announces that Brazil is ready to make an immediate payment of \$240 million toward its 1988 interest on debt to commercial banks.

Jan. 26: U.S. Protests Libyan Delegation Visit

The U.S. Embassy in Brasília condemns the visit of a Libyan military delegation to Brazil and denounces possible arms sales to Libya. The Libyan delegation is in Brazil to begin negotiations on an arms sale that could be worth more than \$2 billion. The embassy did not say it would take any action to prevent a weapons sale and the Brazilian Foreign Ministry refused to comment on the U.S. statement.

IN THIS REPORT

Shaping the Future 8

Brazil is searching for a new political model that can resolve some paralyzing contradictions between its First World economy and Third World society. Debate on constitutional issues is under way in Brasília.

Auto Sales Slump 10

Last year Autolatina, the holding company representing Ford and Volkswagen, lost \$200 million and laid off 10,000 workers in the auto industry's worst year since 1971.

The Rural Poor 10

Deep-rooted poverty in the 10 states that make up Brazil's Northeast poses the country's biggest social challenge. The question is whether there is the political will to make the necessary reforms that would eradicate the problems.

Amazon Conflicts 11

The Tocantins bridge, which has opened up the Amazon region to hundreds of thousands of settlers, mining prospectors, ranchers and lumbermen, has become a blood-stained landmark of social violence.

Oil Discovery 11

After a 30-year search, Petrobras, the state oil company, struck oil last year in the Amazon for the first time. Engineers said the proven reserve is 182 million barrels.

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ave a life of its own? It's not having turned off the TV after 20 minutes of its every year back, comparing the unbearably saccharine. No matter what any says, the amount of money in the Opera's hands is a sensitive issue for many, so many of whom have died in the past or are on the verge of doing so.

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Shaping the Future 8

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Young Democracy Has Failed To Produce a Social Contract

By Juan de Onís

BRASILIA — Brazil is searching for a new political model that can resolve some of the most serious contradictions between its First World economy and Third World society.

The weak government of President José Sarney, beset by inflation and eroding popular support, has provided little leadership on shaping Brazil's future since it took office in 1985.

The task has fallen to a popularly elected Constitutional Assembly of 559 legislators. This body has been working erratically for nearly a year on a new constitution to provide a framework for national development.

Clear signs of a halt in Brazil's economic growth has given new urgency to the political struggle over how this country's 140 million people should manage their huge economic potential.

Policies, such as heavy borrowing abroad, that have sustained Brazil's 6 percent annual development since World War II no longer work. Last February, Brazil halted interest payments to private foreign banks on \$68 billion in debt.

Populist income redistribution and price control measures, designed to boost internal demand, have been consumed by inflation, which is now at 16 percent a month. Huge deficits in state enterprises have undermined public investment, reducing growth.

"Until new rules of the game are defined, Brazil is going to be marking time. This is going to be a lost year," said Francisco Gros, executive director of Aracruz Celulose, a Brazilian-owned pulp and paper company.

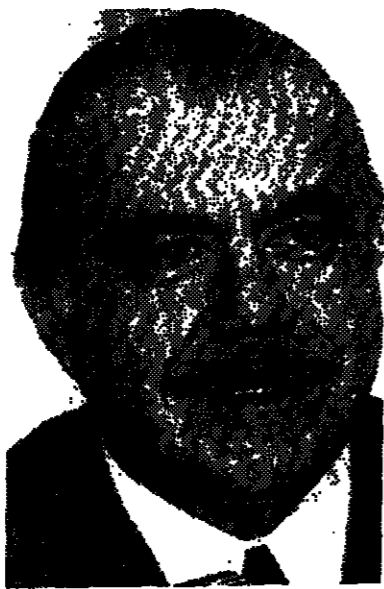
Voting on the constitution began at the end of January and will probably last until May since breaks for Carnival and Easter will delay the outcome.

Two basic tendencies over the constitution are in opposition in Congress.

A relatively conservative majority, called the Centrao, or Big Center, favors economically liberal principles that support national private enterprise, a market economy and selected foreign investments.

The Centrao has backed a limited agrarian reform plan, excluding family-operated farms; collective bargaining with unions on labor contracts; a 44-hour workweek, instead of 48 hours, and severance pay for workers based on length of employment.

A militant leftist minority, skilled in parliamentary maneuvers, wants to adopt a constitution that follows a state-planned socialist and ultra-nationalist model. This group drafted the text that is now being put to vote, and the Centrao



President José Sarney.

has to muster a majority of 280 votes to amend it.

The confrontation in the Constitutional Assembly over principles has become a struggle for personal power as well. The leftist minority reduced Mr. Sarney's term from six years to four in the draft constitution in hopes of forcing a direct, popular election for president this year.

Mr. Sarney, 57, who is in close contact with leaders of the Centrao, has fought back and believes that he has assembled enough votes to be assured of a five-year term. That would put off presidential elections until the fall of 1989.

Public opinion polls have shown that a wide majority wants elections this year. A delay until next year would mobilize powerful political protest.

Leonel Brizola, a populist former governor of Rio de Janeiro, has announced that he is a presidential candidate for this year. So has Luis Inacio da Silva, a former autoworker union leader who heads the Catholic left Workers Party, a rising force.

The Brazilian Democratic Movement Party, which has a majority in Congress, is split over Mr. Sarney, although it has key ministers in the cabinet and 22 governorships. The left wing of the Democratic Movement wants a break with Mr. Sarney and elections this year.

Mr. Sarney's chances for a five-year term, when the vote comes, depend on the government's ability to control inflation while avoiding a recession and an increase in unemployment.

In early 1986, facing explosive inflation, Mr. Sarney launched a price-and-

wage control plan, with a monetary reform that temporarily stabilized the cruzado. Initially, this was very popular, but the plan collapsed because Mr. Sarney failed to reduce public deficits and spent Brazil's foreign reserves on importing consumer goods. This led to the debt moratorium.

"That sleight of hand can't be repeated now. This time, Sarney will have to save himself by an orthodox dose of financial austerity," said Senator Roberto Campos, a champion of the liberal economists.

But austerity that cripples growth is politically dangerous for Mr. Sarney. A country that has to generate employment for three million new job-seekers each year cannot stop growing for very long without risking social conflict and political instability.

The dangers are apparent to the powerful private business sectors, as well as political parties and other forces that influence public decisions, such as the armed forces, the Roman Catholic Church and the independent media and intelligentsia.

Antonio Ermirio de Moraes, a São Paulo industrial tycoon, is the biggest producer of cement and aluminum products in Brazil. He was an outspoken supporter of a return to democratic rule in 1985 and harbors ambitions to be a candidate for president.

In an interview in O Estado de São Paulo in December, Mr. de Moraes said:

"For 10 years we spoke badly of the dictatorship, asking for the return of democracy. The blunders of the new government have been so great that they have become a catalyst for the return of an authoritarian government. It is sad because an authoritarian government is not the solution. But it would be no surprise."

After 20 years of authoritarian military rule, Brazil restored an open, democratic system in 1985. Congress elected Tancredino Neves, a moderate opposition leader, as president.

Many Brazilians thought the election of Mr. Neves and a strengthened Congress would solve problems and provide competent leadership. The result has been just the opposite.

Mr. Neves died before taking office. The presidency went to Mr. Sarney, a former governor of Maranhão, a small northeastern state, because he had been selected vice president in a political deal. Mr. Sarney led Mr. Neves's popular support and authority over the major governing party, the Brazilian Democratic Movement.

The armed forces, led by General Leônidas Pires Gonçalves, the army minister, backed the Neves election and have shown no desire to displace Mr. Sarney.

Constitutional Issues at a Glance

The debate on the draft constitution in Brasilia has centered on the following issues:

System of government

An amendment creating a parliamentary government, led by a prime minister, is in the text adopted by the General Commission of the Assembly. This would reduce the president to chief of state, with limited powers, and increase congressional power.

Length of President José Sarney's term

The draft text establishes a four-year presidential term in the general articles. The present constitution fixes a six-year term. A transitory article terminates Mr. Sarney's present term on March 15, 1989. This would require a direct presidential election this year.

Agrarian reform

The draft says that farm land can be expropriated in the "social interest" with payment in long-term agrarian bonds, when the property does not meet standards of "rational use" and environmental protection. Family-operated farms are exempted.

Industrial protectionism and technology development

The text contains the nationalist criterion that defines the Brazilian market as a "national patrimony" reserved to Brazilian companies. An amendment softens the criterion of a "Brazilian company" to allow foreign capital participation.

State monopoly on petroleum

The text extends the existing monopoly in favor of Petróbrás, the state company, to include distribution of products, which would eliminate private filling stations. The text also would terminate "risk contracts" under which private oil companies can explore for oil under contract with Petróbrás.

Job stability

The text guarantees workers against "unmotivated dismissal." Employer organizations as well as some union leaders have testified that the proposed change would generate massive dismissals and job instability. An amendment would guarantee severance pay, based on length of service, for termination of a work contract.

Revenue sharing

The text increases the share of states and municipalities in general tax revenues. Mr. Sarney has said the text is unworkable.

Juan de Onís

The military leaders say they are "constitutionalists."

For many political scientists, such as Helio Jaguaribe, the problem is not Mr. Sarney, but the fact that the democratic process has not produced a national majority that can agree on a "social contract" on which to build a fully modern nation.

Mr. Jaguaribe said he thinks a new election would help define the areas of consensus.

Others argue that the presidential system concentrates too much power without safeguards against corruption, and support a parliamentary system of government. The Constitutional Assembly will vote on such a proposal.

Brazil is one year away from celebrating the centennial of the overthrow of a hereditary monarchy.

The revolutionaries of 1889 founded a presidential republic that has been shaken by military coups, a corporatist dictatorship under Getúlio Vargas, presidential suicides and resignations. In the

past 30 years, there was one successful democratic period under the late Juscelino Kubitschek (1956-1960).

The challenges to democratic government now are basically social inequality and weak political institutions. Political parties are unstable, lack a doctrinaire base and are discredited by corruption.

In the creation of wealth, Brazil has achieved the production of \$250 billion a year in goods and services, making it the 10th largest economy in the world. However, tens of millions suffer from malnutrition, sickness and illiteracy and live on incomes of less than \$80 a month.

In the distribution of wealth, Brazil remains a country more of rags than riches.

JUAN DE ONÍS, a journalist based in Brazil, contributes regularly to the International Herald Tribune on Latin American affairs. He is writing a book on Amazonia for the Twentieth Century Fund.

Wanted: A Degree Of Coherence in Government Policy

Continued from page 7

ries of economic crises, Brazil has two major features that are fundamental for its future prospects: size and a sense of national purpose.

With a \$275 billion gross national product and an area larger than the continental United States, there is no doubt about the size. A strong sense of purpose may appear surprising in a multi-racial society, but Brazil has over its history managed to create a nationally unified society with racial tolerance. Social and economic tensions exist, but the historic divisions visible in many other societies, industrial and developing, are not evident. This fosters a tolerance to innovation and an aversion to traditionalism that is healthy for development. Add to this a strong entrepreneurial class.

A third factor often cited is the abundance of physical resources, from water and hydroelectric sites to mineral wealth. The successes of Japan and Switzerland, however, cast doubt on whether physical resources are really such a critical factor. Nonetheless, resources plus promotional policies to develop them have played a dynamic role in growth.

In the last five years alone, which were years of economic crisis, steel production went up 50 percent, coal 35 percent, crude oil 200 percent, aluminum 180 percent, and raw paper pulp 50 percent. In steel, aluminum and tin, Brazil in the last 10 years has become a major factor in world markets. The successes of Petróbrás in building up domestic oil production, which now accounts for more than 60 percent of consumption, make Brazil far less vulnerable today than it was in the 70s to an eventual increase in world oil prices. Despite a depressed domestic market, vehicle production in the period 1982-1986 went up 60 percent, with most of the growth going into exports.

What, then, is missing? More than anything, coherence and continuity in government policies. A saying goes that Brazil grows at night, when the government sleeps. In that sense, Brazil is comparable to the Italy of some decades ago: apparent political turmoil at the top but a vibrant economy underneath. Yet basic reforms are needed.

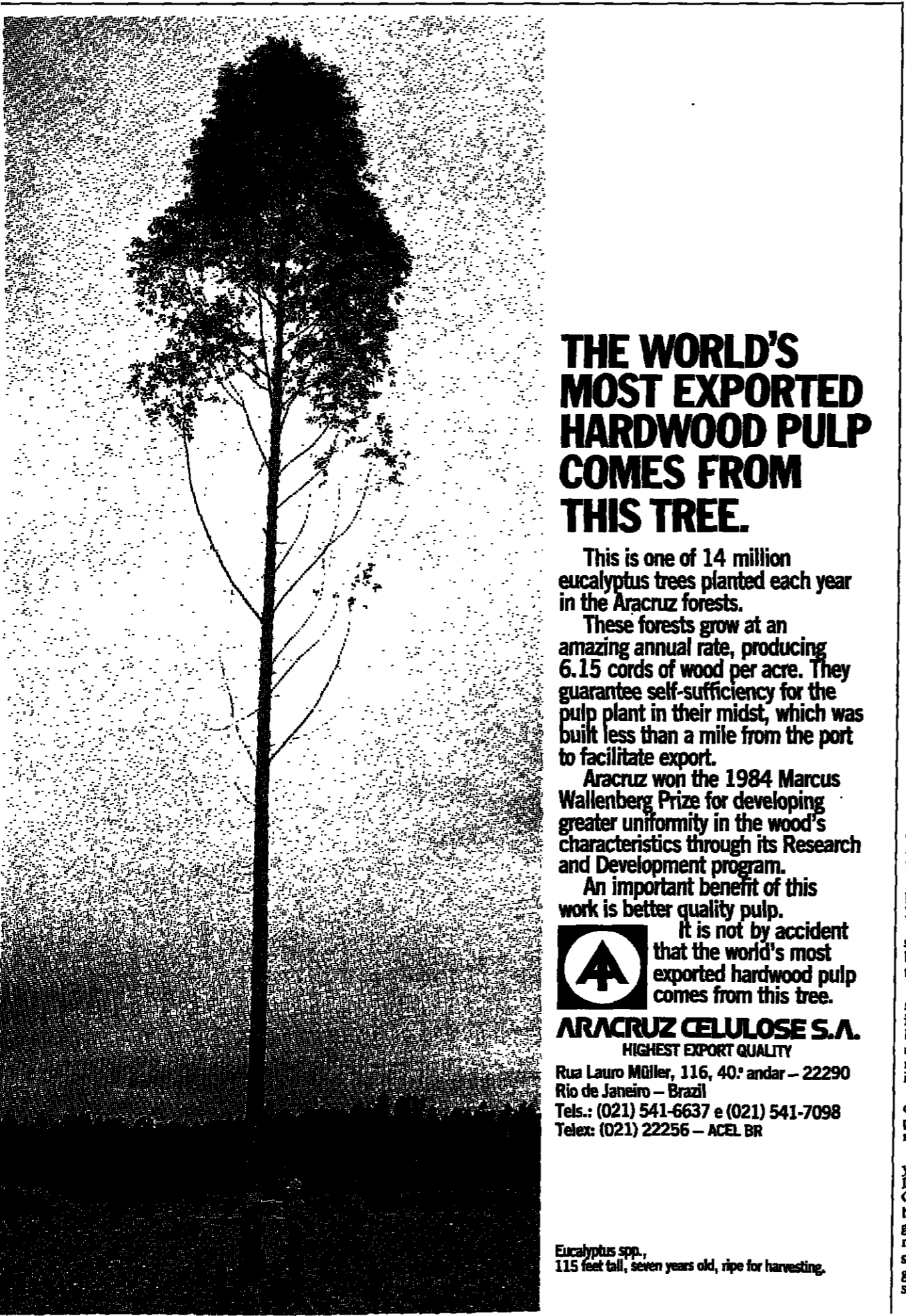
First, an accommodation must be found with Brazil's creditors, involving, on the side of Brazil, a credible economic program, predictability in debt servicing and a viable debt-equity conversion program. The bank creditors, for their part, must grant major concessions to permit the conversion of part of the debt into longer-term lower-cost obligations.

Second, as a player in the big leagues of world trade, Brazil urgently needs to develop a more flexible and less protectionist trade policy. For example, as justified as the policy of fostering a domestic informatics industry is, one cannot expect the United States to import cars, planes and orange juice from Brazil — all of which compete with U.S.-made products — while advanced U.S. industries are shut out of parts of the Brazilian market.

THIRD, and most important, the state sector must be reined in. In the words of Alan Riding of The New York Times (Dec. 20): "Since the Latin American debt crisis began, the state's role has changed from one of stimulating growth to one of living off the rest of the economy." More than 500 mostly deficit-ridden state enterprises vie with penniless state governments to get a share of a shrinking federal pie. Five large state enterprises alone, in electricity, steel and railroads, are projected to lose \$3 billion in 1988.

A ponderous bureaucracy combined with politics slows important decisions and can cause economic havoc where price controls are involved, as in the dispute between the government and Antolin, the Ford-Volkswagen joint venture, over the unfinancing of car prices in October 1987.

Despite the hitches, Brazil is growing. To make it a sustained and continuous effort, a modicum of consensus and good government is required. With that, Brazil would indeed be a major industrial power in the world by the early 21st century. That is the great challenge facing the democratic form of government that was installed in 1985.



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Eucalyptus sp., 115 feet tall, seven years old, ripe for harvesting.

Faltering Economy Seeks a Model

Continued from page 7

foreign capital and technology. While traditional heavy industries prospered behind Brazil's protectionist walls, the new high-tech service age demands international financial integration, first-rate technical training and access to proprietary technology, they argue.

"The technological factor is forcing us to forget everything we ever knew about nationalism," said Carlos Alberto Primo Braga, an economist at the University of São Paulo. "This is very difficult for a society like Brazil's."

Yet Brazil's recent exporting success — sales doubled in a decade to \$26 billion last year — is seen by others as driving it inexorably toward trade liberalization and technological modernization, if only out of fear of losing the markets on which it increasingly depends.

"This is the single most important question that we face today in Brazil and in Latin America — the issue of our development model," said a high-ranking adviser to President José Sarney. "The import-substitution model may be exhausted but the question is, what model should we put in its place?"

The debate is hardly academic. For two decades the fastest growing economy in the developing world, Brazil was stopped cold in the early 1980s as rising foreign debt and oil bills triggered the country's worst recession.

It was then dangerously overheated by the 1986 Cruzado Plan, a bold but badly implemented anti-inflation program that froze prices, boosted wages and lopped three zeroes off the currency. Now the economy is again stagnating, with prospects of record consumer price rises and zero per capita income growth in 1988.

Advocates of such shock therapy warned at the time that the Cruzado Plan would work only if accompanied by profound fiscal reforms, including increases in taxes and public sector prices. But the government's "operational" deficit, not including inflation-distorted domestic debt financing, was reduced only slightly to 3.7 percent of gross domestic product, down from 4.3 percent in 1985. The deficit rose to nearly 7 percent of GDP in 1987 and is projected unofficially at 5 percent of GDP this year.

"The Cruzado Plan was a lost opportunity," said Malson da Nóbrega, who in January became Brazil's fourth finance minister in three years.

"The president has indicated that he will support a suitable austerity program," including a "very tight monetary policy," Mr. Nóbrega said. But such adjustments must be gradual, he stressed. "It is more important to rebuild confidence than it is to bring down inflation quickly," he said.

The balanced operational budget that economists say is needed to brake inflation may be politically feasible only after a new government takes power, many observers assert.

"Economists are predicting a recession this year because of government spending cuts, but I disagree with that viewpoint," said Romen Chap Chap, the owner of one of São Paulo's biggest construction firms. "The government is getting close to elections, and there are 4,300 municipalities out there asking for bridges and schools and sewer systems. The only way the government can get the support it wants is by spending money. This is political reality."

And where will the money come from? Mr.

Chap Chap smiled, his right hand cranking an imaginary printing press.

When the Cruzado Plan collapsed, inflation burst back with a vengeance. Consumer prices in early 1987 soared more than 21 percent monthly until a second shock program slowed inflation again, but at the cost of a temporary recession. Last year's consumer price index still rose 390 percent, a Brazilian record.

Optimists, among them government economists, believe inflation can be held to 300 percent in 1988, but most forecasters predict a record price rise in the 400 percent to 500 percent range.

Brazil 'should practice a kind of demagoguery of austerity.'

Foreign automakers, Brazil's largest source of foreign investment and manufacturing export income, say the combination of rising inflation, strict price controls and an overvalued official exchange rate is forcing them to scale back export production.

Investor hesitancy has been exacerbated by the seersawing debate over the timing and advisability of new presidential elections and, far more importantly, the shape of the new constitution. In draft form, the proposed constitution has unreserved business leaders with its detailed labor code and restrictions on domestic and foreign private investment.

Adding to this is the long shadow cast by Brazil's \$114 billion foreign debt, the Third World's largest. One year ago, Brazil shocked creditors by cutting off payments on the \$68 billion that the government owes to private foreign banks. With foreign reserves dwindling to less than \$3 billion, about a quarter of what Brazil minimally needs, and industrial output and consumer consumption faltering at home, the government could no longer afford interest payments.

The payments cutoff drew criticism at home as well as abroad. It postponed more than \$4 billion in scheduled 1987 interest outlays. But opponents contended it cost the country up to \$1 billion in lost trade credits, plus billions more from the high bank fees and profit margins that Brazil was paying from past debt contracts, without exacting substantive repayment concessions.

After refusing to sign a loan-triggering economic reform accord with the International Monetary Fund and demanding the discounting of conversion of commercial debts into long-term government bonds, Brazil is now reopening talks with the IMF and seeking a private bridge loan that would be the first step toward renewing full debt servicing.

Luiz Carlos Bresser Pereira, who took office last April as finance minister after the February 1987 moratorium only to resign after losing a fight for higher taxes a few months later, still defends the government's defiant debt stance.

"I wanted to stress clearly to creditors that we need a new system for the debt," he said in

an interview. "The banks can say that they have political problems with their governments and shareholders, but I also had political problems. How can you justify a net capital outflow when your economy isn't growing?"

Mr. Nóbrega's more conciliatory position — he said Brazil needs IMF aid despite the political "trauma" it arouses and wants a "negotiated solution" — has been praised by foreign bankers and by conservative Brazilian economists and businessmen. But Mr. Nóbrega, like Mr. Bresser Pereira before him, is adamant that debt repayment must not interfere with Brazil's pressing need for renewed growth.

Brazil's definition of an economic slowdown is different from the rest of the world's: Last year's 3.5 percent growth was called a recession in some quarters. But such a rate barely keeps pace with the growth of its population, which at 140 million is already the world's sixth largest.

And Brazil compares itself not with other countries so much as with its own past. In most of the 1960s and 1970s, it averaged better than 7 percent annual growth, with the expansion hitting 12 percent in 1972 and 14 percent in 1973.

Brazil entered the 1980s facing the unfamiliar specter of negative growth. The economy shrank a drastic 3.4 percent in 1981, the consequence of rising oil bills. In 1982, it registered 0.9 percent growth, and in 1983 the economy contracted again, this time by 2.5 percent. By mid-decade, growth charged back to 8 percent, but with the Cruzado Plan's collapse per capita income stopped growing again.

"Officials are very worried about the effects of a prolonged recession on a country that has had 7 percent to 8 percent real growth for the past 20 years," said Carlos Langoni, a former central bank president.

A fiscal conservative and vocal proponent of foreign investment, Mr. Langoni is among the many members of the Brazilian financial establishment who consider foreign debt relief essential to economic recovery. Equally important, though, he argues, are reductions in public spending — the central cause of Brazil's "economic disequilibrium."

MANY analysts say there is a growing popular sentiment that the government is bureaucratically and financially overextended. They also detect increasing consumer awareness of the benefits to the pocketbook of a less sheltered and regulated economy.

"The government should practice a kind of demagoguery of austerity," conservative Senator Roberto Campos said. "People are ready for it. Privatization and deregulation are needed much more urgently here than in Great Britain or the United States."

Other politicians, however, doubt the public's willingness to tolerate the slow growth and high public service costs that austerity policies necessarily imply. Protracted economic hardship could undermine Brazil's emerging democracy and, consequently, jeopardize its chances of transforming itself into a modern industrial society, many Brazilians fear.

Business analysts generally remain confident that Brazil's natural entrepreneurial vigor assures it a positive future.

Brazil finished 1987 with a solid \$11.2 billion trade surplus, up 33 percent from 1986 — a sign to many of the economy's underlying strength.

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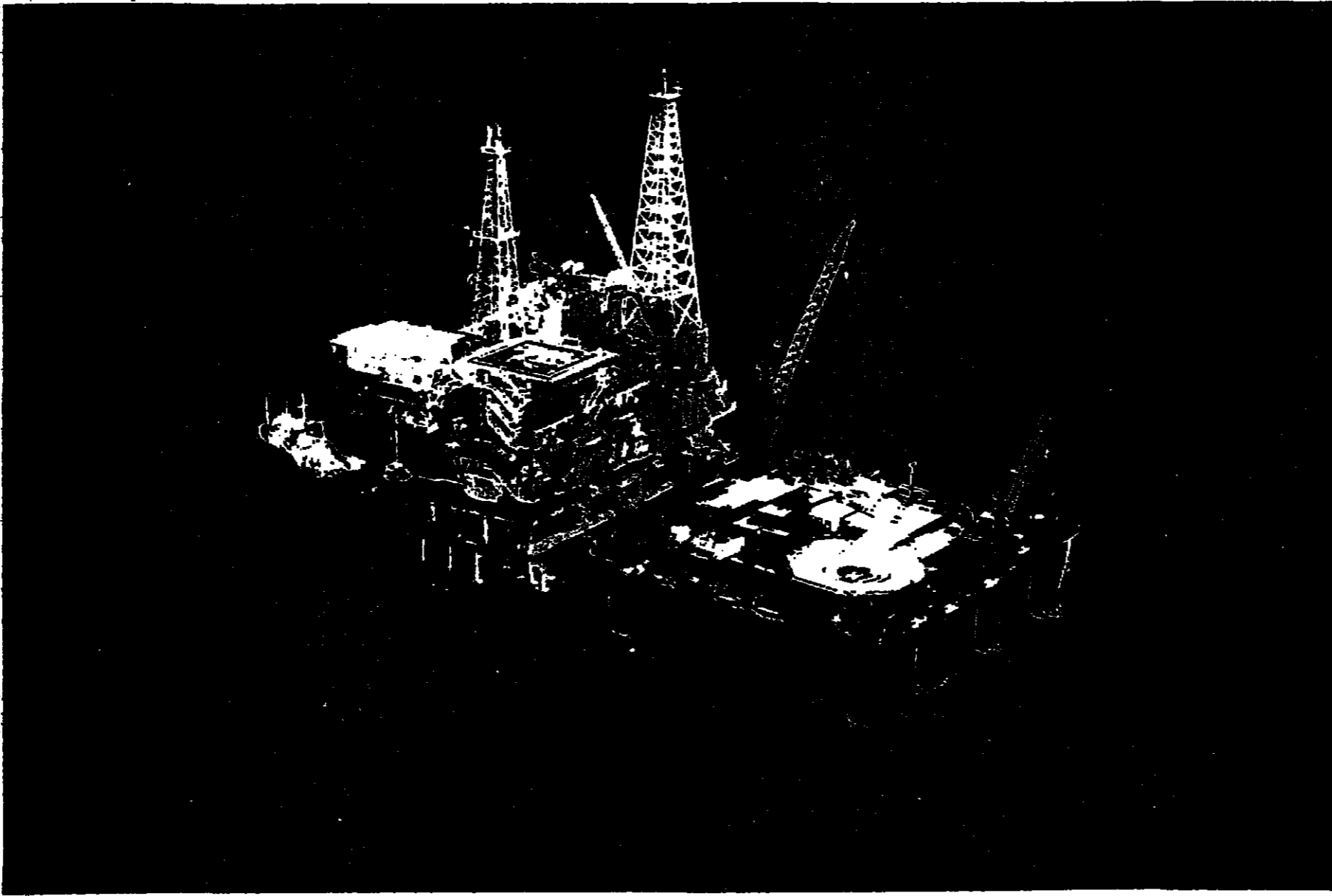
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zil could indeed be a major indus-
trial power in the world by the
end of the century. That is the
challenge facing the democ-
ratic government that was
elected in 1985.

a Model

The banks can say that the
problems with their govern-
ments, but I also had political
problems. You justify a net capital
outflow only if you're growing.
"The IMF is more conciliatory
towards IMF aid despite the
difficulties and wants a "negotia-
ble" approach — has been push-
ing for and by conservative
businessmen. But Mr. Bresser
Perceira before his
re-election must not lose
sight of the pressing need for
restructuring of an economic
model in the rest of the world.
The growth was called a miracle.
But such a rate barely kept
pace with its population, which
is already the world's most
rapidly growing.
Brazil compares itself not with
the rest of the world, but with
its own past. In the
1970s, it averaged 8 percent
annual growth, with the ex-
ception of 1972 and 1973.
In the 1980s, the annual
growth rate was 3.4 percent in 1981, the
lowest since 1961. In 1982, it regains
3.4 percent. In 1983, it regains
3.4 percent, and in 1984, it regains
3.4 percent, this time by 2.5 percent.
With a growth rate of 8 percent,
the Collor Plan's collapse per-
centage is growing again.
I'm very worried about the
decision on a country that
has an 8 percent real growth rate.
said Carlos Langoni, a
senior
economist.
The
conservative
and vocal
proposals
of Mr. Langoni is
to consider
foreign debt
as a
factor in
economic
recovery. Equally
important
arguments
are reductions
in the
central cause
of
unemployment.

NY analysts say there is a
growing popular sentiment
that the government is becoming
increasingly and financially
overburdened and that it
should practice a more
conservative economic
policy. "People are ready for
deregulation and
reform here than in Great
Britain."
But, however, doubt the
ability to tolerate the slow
growth and the high
costs that accompany
it. Protracted economic
stagnation in Brazil
consequently, jeopardizes
the country's
economic future.
Brazil's 1987 with a solid \$11.2 billion
and a 33 percent increase
in the economy's



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Automakers Hit Hard By Slump

Last year was the worst result in more than a decade.

By Mac Margolis

SAO PAULO — One of the celebrated axioms of modern Brazil is that its entrepreneurs have traditionally been able to cope, and some even to thrive, in times of runaway prices and despite chronic overhauls of the economy.

Like a high wire act, doing business at triple-digit levels of inflation was always risky, but a plain and fairly predictable set of rules of economic life, such as price indexing, or ratcheting prices and wages to inflation, served as a balancing bar against disasters.

But in recent times, Brazil's acrobat impresarios have been stumped. In a little less than three years, they have negotiated with four different finance ministers, swayed two price freezes, weathered a record-breaking 365 percent inflation. Almost every trimester, they have been buffeted by government-decreed economic reform packages.

The country's automobile manufacturers, who form the core of São Paulo's industrial belt and whose multi-million-dollar investments hinge on steady signals from Brasília, have arguably been among the most acutely affected by the changing economic winds.

Last year, virtually all of the 22 manufacturers of cars, trucks and tractors ended up with heavy losses on their balance sheets. Fiat, which in 1986 made \$60 million in profits, lost money. The sector's leader, Autolatina, the giant holding company representing Ford and Volkswagen, lost an estimated \$200 million and laid off 10,000 workers.

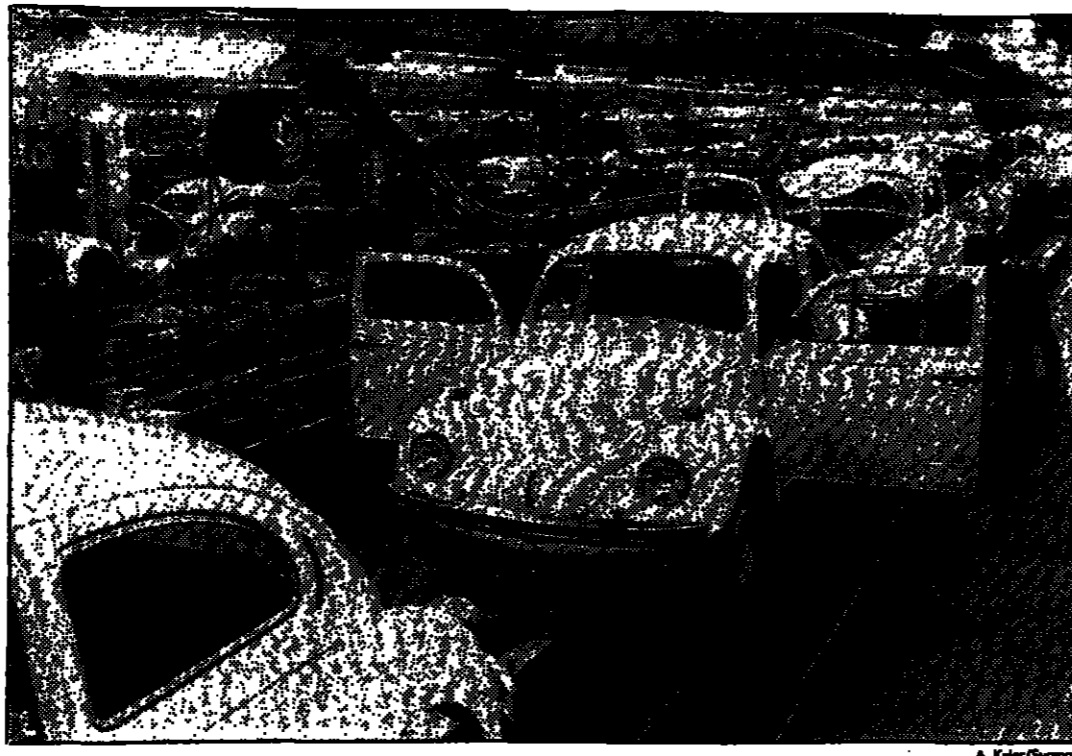
"Last year was a disaster," said André Beer, president of the National Association of Automotive Manufacturers, Anfavea. "This was the worst result in more than a decade."

In fact, last year's production of 581,000 units was the industry's worst performance since 1971, just before the boom years.

Automobile officials point to a panoply of problems: unrealistic price caps, stiff taxes, strikes, lack of clear rules on foreign investment and an economy still reeling from the effects of the 10-month price freeze carried out under the Cruzado Plan.

Robert Stone, president of General Motors do Brasil, explained the curious arithmetic of making cars in Brazil. "From November 1986 until the end of 1987, automobiles had price readjustments of 490 percent. In the same period, we had about 338 percent inflation, and average salary increases of 284.5 percent," he wrote in a recent newspaper column.

Although these prices were out of reach of consumers, he continued, "they were still insufficient to cover indus-



An assembly line at a Volkswagen factory near São Paulo. Last year, Autolatina, the giant holding company representing Ford and Volkswagen, lost an estimated \$200 million.

try costs, much less to guarantee profit, the oxygen necessary for the sector to invest and grow."

In their battle with the government over pricing, the automobile manufacturers cajoled, complained and threatened the government. Autolatina even staged a lockout, shutting its plants for almost a week, after the government granted a price increase below what the industry asked in October.

Then, in November, the company rejected government ceilings and set its own prices. Wayne Booker, vice president of Autolatina, defended the action, saying, "We were operating within our legal rights." He invoked a previous price accord signed by former Finance Minister Dilson Funaro.

Luiz Carlos Bresser Pereira, Mr. Funaro's successor as finance minister, disagreed. He condemned the company's action as "blatant civil disobedience" and blamed Autolatina's losses on "bad business."

The dispute is now in the Brazilian Supreme Court, where a verdict is expected in February.

Another factor in the industry's poor performance last year was heightened labor activism, sparked by average wage adjustments below inflation. The entire automobile industry was beset with strikes and assembly line slowdowns that reduced production by 50,000 vehicles.

But the principal complaint of manufacturers is the steep excise tax on cars. Through most of last year, taxes represented a staggering 73 percent of new car prices. It took a dealer's strike to reduce the tax bite to 40 percent, still "the highest in the world," according to Mr. Beer.

But not all was gloomy in 1987. In fact, at least since the 1982 debt crisis, one of the remarkable features of the economy has been the ability of the export sector to respond when the home market goes sour.

While sales at home plunged, Brazil managed to export a record 344,000 vehicles, principally to the United States, Europe and the Middle East. All told, automobiles and autoparts accounted for almost \$4 billion in trade revenues, or 15 percent of total exports.

The Volkswagen Fox, a medium-priced passenger car, has found ready buyers in the United States, and the

company signed a contract to deliver 100,000 Passat sedans to Iraq.

"Fortunately, we do not export taxes," Mr. Beer said, explaining the competitiveness of the export models.

Most industry officials say that the automobile industry is at a crossroads. Since 1956, when the industry began under a development drive by President Juscelino Kubitschek, Brazil has produced almost 18 million vehicles. There is now one car for every 14 Brazilians. The 22 manufacturers of cars, tractors and trucks rank 11th among world automobile exporters. Brazil has also been one of the fastest growing automobile producers.

However, the industry's capacity, currently a million vehicles a year, has remained static for more than 10 years. To attend a growing population, Brazil needs massive investments and plant expansion.

Despite signs of an economic downturn, General Motors announced in January a \$200 million investment in a new model, the Kadett, and other companies have also scheduled modest investments.

However, industry officials say that future growth hinges on clear rules for investment and pricing and on relaxing controls on technology transfer and trade.

Due to Brazil's tightly controlled informatics policy, which severely restricts imports of microcomputer products, manufacturers are in the curious and costly predicament of having to produce two standards of care: one state-of-the-art vehicle for export only, and another humbler model for the home market. Brazilians are deprived of such features as electronically controlled anti-skid devices and pollution control apparatuses that are standard overseas.

"We're at a critical time in 1988. Investments in the automobile industry are long-term commitments," said Mr. Booker of Autolatina. "We'll be sitting down with the government and discussing which direction they'll be taking."

MAC MARGOLIS is a Rio de Janeiro-based correspondent for Newsweek and a contributor to The Times of London.

Northeast's Poverty Poses Primary Social Challenge

By William A. Orme Jr.

RIO DE JANEIRO — The dusty scrublands of Brazil's equatorial shoulder can seem like another country — the landscape is arid and populated instead of wild and lush, the people are often more Amerindian than African or European, the poverty is rural rather than urban.

But it is not another country. Its emigrants fill the favelas, or slums, of Brazil's south. It is the home turf of the most powerful bloc of radical bishops in the Roman Catholic Church, a group that aggressively champions the cause of the poorest of the poor. Remote as it may seem from the industrial corridors of Rio and São Paulo, it is an area that some Brazilians say could determine their country's future.

Brazil today is shaping a new constitution and political future. The success of this experiment, some suggest, may be judged a generation from now on whether it confronted Brazil's biggest social challenge: the deep-rooted impoverishment of the 10 states known collectively as the Northeast.

The Northeast is a national question, not a local question, said Helio Jaguaribe, who analyzed national income disparities in a recent report called "Brazil 2000."

If the stark inequities represented by the Northeast are not resolved, he warned, Brazil could be torn apart. "We could be faced with the sad alternatives of a fascist regression to a sort of 'social apartheid,' or a radicalization of younger army officers leading to the imposition of Ethiopian-style communism," he wrote.

Intended to stir debate and controversy, Mr. Jaguaribe's conclusion is based in socio-economic reality. Statistics put the Northeast on a par with Haiti, the hemisphere's poorest nation. But it has six times Haiti's population.

The typical Northeasterner can expect to die at 52, according to the 1980 census; the average Brazilian's life expectancy is 60 years, with the median surpassing 65 in the more prosperous south. Infant mortality in the Northeast is 121 per 1,000 live births, the highest rate for an area that size in the Americas; this compares with 75 per 1,000 in Rio, and 60 per 1,000 farther south.

About 15 percent of Brazil's families live in what we categorize as 'misery,' meaning that the family earns less than one-quarter of one



The number of Brazil's homeless children, many of whom live in the Northeast, is estimated at more than 30 million.

The typical Northeasterner can expect to die at 52.

minimum wage," Mr. Jaguaribe said. "Most of these families live in the Northeast. More than half of these Brazilian miseries — about 55 percent — are children under 14. It is a very, very appalling situation."

Educational levels lag far behind national norms. In 1965, according to government data, there were 115 million Brazilians older than four, of whom 33 million lived in the Northeast. But of the 30.5 million Brazilians older than 4 who were illiterate, fully half, 15.5 million, were Northeasterners.

Landholding bosses have long frustrated efforts to redress the region's skewed property distribution, a problem more typical of the rest of Latin America than it is of the rest of Brazil. In a region where most farmers work small plots of 5 acres (2 hectares) or less, at least half the land is tied up in undergrazed cattle ranches of 1,000 acres and more.

Flavio Teles de Menezes, who leads Brazil's biggest independent farmers' association, said his members would favor a land reform initiative aimed at the Northeast. Pre-

erably, it would be a productivity-based legal formula that would use expropriation only as a last resort. But he said he doubted that big Northeastern landowners would ever face such a challenge.

Parties in government always seek alliances and the balance of power always favors the Northeastern politicians, he said. Change may have to come through industrialization and urbanization, rather than land reform.

Many experts say abject poverty could be largely eradicated with a mix of land reform, industrialization and public investment in health, education and basic infrastructure. The resolution of peasant land claims and demarcation disputes would also contribute greatly to income redistribution, they say.

There is no question that Brazil has the resources, the economic capacity, to eliminate the poverty of the Northeast, said a development specialist at the United Nations Economic Commission for Latin America. The question is whether it has the political will.

Confidence Is Key to Easing Crisis

Continued from page 7

is a kind of trauma in Brazilian public opinion. People think the IMF comes here to impose a program especially designed to provoke recession. People think that by signing an agreement with the IMF they surrender their sovereignty. So, I think the government should clarify the precise role of the IMF. I agree with you, experience has shown that one way or another, the IMF and the banks find a way to overcome difficulty for countries that are not able to meet targets. But more and more people in Brazil are becoming convinced that an agreement with the IMF is important to allow more space for the economy to grow.

Q. But clearly, the bottom line is adjustments within the Brazilian economy. If these adjustments are made on Brazil's own initiative, wouldn't that be a clear sign as any?

A. Yes, look. What we are trying to say is that a suitable adjustment is in our own interest. We are not seeking a cut in the deficit only to enjoy a salable agreement with the banks. We are convinced that we ourselves need it.

Q. With or without the IMF? A. Right. Then, if we're convinced that an adjustment should be made, that it is important to control the public deficit, because it may curb inflation and may restore confidence and it may give incentive for private entrepreneurs to invest more, if we are willing to do so, why not take the opportunity to go to the IMF with the same program?

Moreover, we have been saying that there are substantial differences between the situation in 1983 and 1988. At that time, people thought that the crisis would be short, and would take, say, two or three years for everyone to overcome the crisis. Then, as time went by, people became convinced that the crisis is a lasting crisis. So what the president has said is that the IMF, the international community, all of them have changed their ideas.

It is impossible to go on carrying out programs of adjustment, austerity, unbearable austerity, because it affects the social fabric, and it may create political instability. So, let's find a way to work together to develop the country. How? By building up a climate of confidence to attract foreign investments, to deregulate the economy, to get rid of unjustifiable controls. Where it is possible, to let the market work.

Q. But this is a very difficult balancing act. You are forced to avoid recession and yet to cut spending. What specific measures, can you adopt?

A. Look. For the first time in history, Brazil has a unified budget. There will just be one source of expenditure, which is the budget recently approved by Congress. Until 1987, Brazil had two budgets, the official budget and the monetary budget. And through the monetary budget, the minister of finance had the power to authorize unlimited expenses just by signing a piece of paper. Before 1987, if, say, agricultural pressure groups came here and

said we need more subsidies, the minister could say no, but they knew he could decide in their favor. Now, the minister can say no, because the law does not allow me to do so.

Q. Essentially, what you propose, Mr. Minister, is something some of your predecessors would not have liked, that some of the superpowers of the Finance Ministry be reduced?

A. Yes.

Q. You want to reduce your own powers?

A. Yes, because I'm convinced this ministry has so much power it hasn't been able to exercise that power. It has been impossible for the ministry to look into all the problems that come here, because everything, almost everything is decided at this ministry. Agricultural problems, supply of wheat, prices, foreign trade, insurance policy, credit policy, monetary policy. It's too much power, and experience has shown that the ministry has not been able to use these powers adequately.

Q. You've said, no more miracles in economic policy, no Mailson Plan, that you want a bread-and-butter economy. Could you explain that in the current context of high inflation? How, without a dramatic shock, can you significantly reduce inflation and still avoid an explosion of discontent and suffering?

A. First of all, if we avoid hyperinflation, it wouldn't be enough, but it would be a breakthrough. We are aware of the fact that inflation will not disappear overnight. In 1988, we are going to have a

very high level of inflation. Forget about that. Not because inflation does not cause problems but because the Brazilian economy gets accustomed to dealing with inflation. What is important is to reduce the crisis of confidence, the [problem of] credibility. That's more important right now. We are not forgetting that inflation is a big problem, but we have some more important problems to deal with.

Q. Backtracking a bit, you had a very substantial increase in the trade surplus, and because of the partial moratorium you saved more than \$4 billion in interest payments. Yet, you ended up with a very severe deficit, and the foreign reserves position was about the same as it was 12 months before. Why is that?

A. First of all, we went on paying Paris Club members, the World Bank and the IMF. The net flow of funds from these sources was negative. As you know, the moratorium was directed to private banks. Brazil didn't save much money because the country went on paying other creditors.

Q. There is a thesis that the moratorium actually cost this country much more than was understood at the time it was declared.

A. That's true, because by postponing a definitive and lasting agreement, Brazil kept paying high margins over Libor [London Interbank Offered Rate] and this is why the president became convinced that a quick agreement with the international financial community would be needed.

Q. Mr. Bresser said publicly that his negotiating position with the banks was making unilateral securitization of debt as a non-negotiable demand.

A. We are convinced that a bond plan should be voluntary. The bond should not have any type of link with a conversion plan.

Q. Is the moratorium over? A. No, it's not. Brazil has said that we are prepared to lift the moratorium. Or, better, to start paying interest if we get the conditions to do so. According to our balance of payments projections, we are not able, without hurting the level of our reserves, to pay interest. We think we could bear payment of a third or perhaps 40 percent of interest, provided the banks can raise the remaining two-thirds, or 60 percent. Then, yes, why not start paying?

Q. Do you think the Cruzado Plan would have worked if the budget corrections you are talking about had been made then? A. Yes. The Cruzado Plan was a lost opportunity. If at that time we had carried out a sound fiscal policy, yes, I think the plan would have worked.

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Confidence Is Key to Easing Crisis

Continued from page 7

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Miners, Without development and energy resources would be deprived considered strategic

By Juan de Onís

COMMERCIAL DISCOVERY

By Juan de Onís

PORTO GAVIÃO Amazon basin... (text continues)

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NYSE Most Actives table with columns: Vol., High, Low, Last, Chg.

Market Sales table with columns: NYSE 4 a.m. volume, NYSE 4 p.m. volume, etc.

NYSE Index table with columns: High, Low, Close, Chg%

Friday's NYSE Closing Via The Associated Press

AMEX Diary table with columns: Class, Prev.

NASDAQ Index table with columns: Class, Chg%, Week Ago

AMEX Most Actives table with columns: Vol., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns: Class, Chg%

NYSE Diary table with columns: Close, Prev.

Odd-Lot Trading in N.Y. table with columns: Buy, Sell, % of Total

Dow Jones Averages table with columns: Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns: High, Low, Close, Chg%

NASDAQ Diary table with columns: Close, Prev.

AMEX Stock Index table with columns: High, Low, Close, Chg%

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Late Rally Pushes Up NYSE

NEW YORK — A final-hour rally pushed stock prices on the New York Stock Exchange sharply higher Friday in active trading, and many analysts said Wall Street believed that lower interest rates were in the cards. The Dow Jones industrial average rose 28.18 points to close at 1,958.22. The Dow, which jumped ahead at the opening bell and then slipped back in mid-afternoon trading, added nearly 23 points in the last hour of the session. For the week, the index gained 54.71 points, or 2.9 percent. Advancing issues topped declines by more than a 2-1 ratio. Volume was about 211.88 million shares, up from 166.43 million on Thursday. A significant portion of the volume was the result of dividend strategies, with several of the most active issues scheduled to go ex-dividend next week. Broader market indexes gained. The New York Stock Exchange index rose 1.91 to 144.13. Standard & Poor's 500-stock index rose 3.78 to 257.07. The price of an average share added 42 cents. "The market held up reasonably well for the entire week," said Ricky Harrington, technical analyst with Interstate Securities Corp. in Charlotte, North Carolina. "The late move reflected an accumulation of upside momentum." Mr. Harrington said the market's late rally might have been accelerated by short-sellers covering their positions by purchasing shares before the weekend, "but it is more likely a reaction to a firm bond market." "The market really never looked bad all day," he said. "Weakness in IBM dragged the Dow down for a while, and IBM weakness was reflected in some other technology stocks. But the overall gain is a culmination of a decent looking market for the past week." Analysts said the market's advance of the past two days reflected a strong belief that the Federal Reserve Board will launch a more accommodative monetary policy leading to lower interest rates. "If the economy weakens, you will definitely see the Fed come to the rescue," said Rao Chalasani, bond and stock market strategist with Prescott Ball & Turben Inc. in Cleveland. "We do look for some kind of easing." But he cautioned that changes in Fed policy could face restrictions. "I do believe the Fed will ease to the extent it can," Mr. Chalasani said, "but I don't think it has as many choices as it had in previous years." He said that interest rates could not be cut as easily as in the past because of the growing link between U.S. economic policies and those of other industrialized democracies. Harry Miller, portfolio analyst at Johnson, Lane, Space, Smith & Co. in Atlanta, said the outlook for interest rate relief was "hopeful" but the market was still plagued by uncertainty and low investor confidence. Tenneco was the most active NYSE-listed issue, up 1/4 to 40 1/4. Public Service Co. of New Mexico followed, up 1/4 to 22 1/4. American Electric Power was third, up 1/4 to 29 1/4. AT&T was up 1/4 to 29 1/4. IBM was down 1/4 to 112 1/4.

Table A: 12 Month High Low Stock, Div, Yld, PE, etc.

Table F: 12 Month High Low Stock, Div, Yld, PE, etc.

Table G: 12 Month High Low Stock, Div, Yld, PE, etc.

Table H: 12 Month High Low Stock, Div, Yld, PE, etc.

Table I: 12 Month High Low Stock, Div, Yld, PE, etc.

Table B: 12 Month High Low Stock, Div, Yld, PE, etc.

Table C: 12 Month High Low Stock, Div, Yld, PE, etc.

Table D: 12 Month High Low Stock, Div, Yld, PE, etc.

Table E: 12 Month High Low Stock, Div, Yld, PE, etc.

Table J: 12 Month High Low Stock, Div, Yld, PE, etc.

Table K: 12 Month High Low Stock, Div, Yld, PE, etc.

Table L: 12 Month High Low Stock, Div, Yld, PE, etc.

Table M: 12 Month High Low Stock, Div, Yld, PE, etc.

Table N: 12 Month High Low Stock, Div, Yld, PE, etc.

Table O: 12 Month High Low Stock, Div, Yld, PE, etc.

Table P: 12 Month High Low Stock, Div, Yld, PE, etc.

Table Q: 12 Month High Low Stock, Div, Yld, PE, etc.

Table R: 12 Month High Low Stock, Div, Yld, PE, etc.

Table S: 12 Month High Low Stock, Div, Yld, PE, etc.

(Continued on Page 16)

Vertical advertisement on the right side of the page with text: 'Economic 1988 Recession', 'Currency', 'Interest', 'Savings Deposits'.

Statistics Index table with columns for market indices and their corresponding page numbers.

SATURDAY-SUNDAY, JANUARY 30-31, 1988

ECONOMIC SCENE

Some Economists Insist 1988 Recession Is Coming

By LEONARD SILK New York Times Service. NEW YORK — The American economy grew faster in the final quarter of 1987 than most economists expected.

The U.S. Commerce Department estimates that the gross national product — a country's total output of goods and services — rose at a seasonally adjusted annual rate of 3.7 percent in the October-December quarter, up 4.2 percent. The consensus of economists surveyed by Blue Chip Indicators this month was for a fourth-quarter gain of only 2.1 percent.

Yet the economy was, oddly enough, not stronger but weaker than expected in the fourth quarter. Final sales — inflation-adjusted GNP minus the increase in inventories — barely rose, at an annual rate of six-tenths of 1 percent.

Inventory increases by \$2.3 billion, measured in 1982 dollars, in the fourth quarter, that was more than twice as much as the \$2.6 billion inventory rise in the third quarter.

Much of the extra bulge in inventories was involuntary, as consumption, in 1982 dollars, fell to a seasonally adjusted annual rate of 2.5 percent, from 2.2 percent in the third quarter. Apparently the "wealth effect" — the damage to consumer spending resulting from the October stock market collapse — took a considerable toll in the final months of 1987.

But it is fallout from the stock market plunge that is hurting consumer spending or, as some economists think, an excessively tight Federal Reserve monetary policy, which could push the economy into recession? William Niskanen, a former member of President Reagan's Council of Economic Advisers, said the data released this week "suggest we've got a recession under way unless there's an easing of monetary policy."

Clearly the money supply grew very slowly during the second half of 1987. M-1 — the narrowest measure of the U.S. money supply, including cash in circulation and checking accounts and nonbank traveler's checks — grew 3.1 percent from December 1986 through December 1987, but its monthly rate of increase dropped from more than 14 percent in the first half of 1987 to less than 3 percent in the six months through November.

Similarly, M-2 — a broader measure of the money supply, comprising M-1 plus overnight repurchase agreements, Eurodollars, money market funds and savings and small time deposits — grew at a trifle faster rate of 3.4 percent for the year as a whole, but again monetary growth in the second half was markedly slower than in the first.

And M-3 — a still broader measure, with M-1, M-2 and such other items as large time deposits and institutions' money market funds — grew 4.9 percent last year, with slower second-half growth.

What explains the second-half slowdown in the monetary aggregates? The obvious explanation — but not necessarily the correct one — is the accession of Alan Greenspan in midsummer to the chairmanship of the Federal Reserve Board, replacing Paul Volcker. Was Mr. Greenspan, a Republican who had been close to President Reagan since the 1980 political campaign, seeking to prove his independence as Fed chairman and his anti-inflationary fervor? Was he behaving more as a monetarist, with greater concerns about reducing the growth of the monetary aggregates than the pragmatic Mr. Volcker? (After testing "operational monetarism" as a way to stop inflation in 1981-82, Mr. Volcker said in 1987.)

Currency Rates

Table of currency rates for various international currencies as of Jan. 29, 1988.

Interest Rates

Table of interest rates for various financial instruments as of Jan. 29, 1988.

Key Money Rates

Table of key money rates for various financial instruments as of Jan. 29, 1988.

Asian Dollar Deposits

Table of Asian dollar deposit rates for various banks as of Jan. 29, 1988.

U.S. Money Market Funds

Table of U.S. money market fund performance as of Jan. 29, 1988.

Gold

Table of gold prices for various markets as of Jan. 29, 1988.

Fiat Posts 31% Rise In Profit

Auto Sales Buoy Group Revenues. By Reuters. TURIN — Fiat SpA, Italy's largest private industrial group, announced Friday a 31 percent rise in 1987 operating profits, to a provisional 3.22 trillion lire (\$2.61 billion) for 1987 from 2.457 trillion lire in 1986.

Fiat's chairman, Giovanni Agnelli, said the group intended to make every effort to ensure another dynamic performance in 1988 despite current international economic uncertainties.

The company said stronger sales in its auto and industrial vehicles divisions contributed to higher 1987 group revenue.

The results followed a turnaround in the fortunes of the auto division, which has contributed to soaring profits for Fiat in the past three years.

Fiat said its 1987 sales were bolstered by the addition of its subsidiaries Alfa Romeo SpA, Snaia BPD SpA and other units not consolidated in its 1986 accounts. Fiat's board approved the provisional results at a board meeting on Friday.

The company said 1987 group consolidated revenue rose provisionally 30 percent to 38.1 trillion lire, compared with 29.34 trillion lire in 1986.

Fiat did not give an estimate of group consolidated net profit, but said parent company profit in 1987 should be around 800 billion lire, against 612 billion the previous year.

The company attributed improved parent company profit last year to higher dividends from its subsidiaries, which rose about 80 percent to 677 billion lire from 379 billion in 1986.

Mr. Agnelli said Fiat faced the economic uncertainties of the future in a position of strength in the principal sectors of the European market.

"We feel able to state our clear readiness to participate in a further strengthening of the Italian and European economy according to market rules, those which in the end reward the best," he added.

On Tuesday Fiat unveiled the Tipo hatchback, a midsize car that it sees as a challenger to Volkswagen's Golf. Fiat said the Tipo would spearhead its plans to overtake VW as Europe's top automobile maker.



McDonnell Douglas's MD-11, upper left, and the Airbus A-340, which go into service in 1990.

For the Long Haul, Little Comfort

By Michael Richardson International Herald Tribune. SINGAPORE — Aircraft manufacturers say they are confident about sales prospects for a new generation of long-range jets that begin scheduled services later this year.

But the makers of these long-haul planes are concerned about their passengers' comfort. "Answers have to be found to the physiological and psychological problems encountered by the passengers who will be effectively immobilized for up to 16 hours at a time," said Stuart E. Iddles, senior vice president for commercial affairs in Europe's Airbus Industrie consortium.

That compares with the almost 13 hours it now takes to fly from London to Singapore, one of the longest nonstop flights. The traditional response of airlines, Mr. Iddles said at an aviation conference here this week, was "Feed the brutes."

However, as flight times increase, there is a limit to the amount of food that a passenger can absorb, while alcohol can give a thumping headache in the rarefied cabin air, he said.

There is also a looming weight problem, for planes as well as passengers. A large airliner on a five-hour flight carries about 30 pounds (13.5 kilos) of food, drink and packaging per person.

This, Mr. Iddles said, could increase to as much as 70 pounds on long-haul flights if the traditional policy was continued. Boeing Co. has a head start over its two main competitors, Airbus and McDonnell Douglas Corp., in the long-haul commercial jet market.

On Tuesday in Seattle, Boeing rolled out its latest version of the jumbo jet. The 747-400 seats up to 660 passengers and is about 15 percent more fuel-efficient than any previous jumbo.

Thomas R. Craig, Boeing's director of market research, said at the Singapore conference that, because of fuel efficiency and more powerful engines, the 747-400 could fly fully laden about 60 percent farther than the first generation jumbo in 1970, even though the first jumbo was lighter and carried about 100 fewer passengers.

The 747-400 will start commercial service in September or October, company officials said. Its 8,200 mile (13,250 kilometer) range will make nonstop flights possible on such routes as London-Tokyo, New York-Seoul, Singapore-London and Los Angeles-Sydney.

The Airbus A-340 and the McDonnell Douglas MD-11, which come into service from 1990, will fly even farther, though with fewer passengers. The A-340 will carry a maximum of 295 passengers, with a range of about 8,700 miles, while the MD-11 will carry up to 320, with a range of about 9,000 miles.

The Boeing 747-400 can fly 60 percent farther than the first jumbo, which was heavier and carried fewer passengers.

Gareth C.C. Chang, president of McDonnell Douglas's office in China, said his company believed that the boom in international air travel would create a demand for about 1,120 large, long-range passenger jets by the year 2000.

He estimated the value of those sales would be about \$90 billion at current prices. Mr. Craig said he believed that problems of passenger congestion on long-haul flights could be alleviated by improvements in design, including quieter engines, enhanced fresh air flow to passenger compartments and better smoke removal.

Mr. Iddles said in an interview that the people he was most concerned about were passengers in economy and tourist class. "While the business class passenger quite probably has work to do or can usefully read during the hours not spent eating or sleeping, and the first class passenger can unwind in his costly cocoon, the economy passenger has more people around him, in closer proximity," he said.

Manufacturers of aircraft and passenger equipment need to discuss with airlines design of seats that would allow travelers to sleep better, he said.

Another possibility was to reduce the amount of drink on board by installing humidifying systems in air-conditioning units to counter dehydration. Mr. Iddles said that Airbus was considering using sections of the A-340 under the floor of the passenger compartment for sleeping, enlarged toilet space, an exercise room or recreation center.

"We might even install a discotheque," he added. "That would really burn off the calories."

Gevaert Sees Control of Générale

By Reuters. BRUSSELS — A Belgian-led consortium said Friday that it was close to victory in a battle to stop the Italian financier Carlo de Benedetti from gaining effective control of the nation's biggest company, Société Générale de Belgique.

The consortium, led by a Belgian holding company, Gevaert NV, said it was building a stake of 34.25 percent in the vast conglomerate, which would make a hostile takeover impossible.

It would do so by buying or placing in friendly hands all of 12 million shares that are being held by Générale de Belgique in a defensive move. The increase in capital would dilute a stake built up by Mr. de Benedetti, who is chairman of Olivetti SpA of Italy.

Reacting later Friday to Gevaert's announcement by its chairman, André Laysen, Mr. de Benedetti said that he "is willing to discuss with him and his partners the modalities of an agreement."

The Gevaert consortium said it had already placed 10 million shares. It said Générale would either sell the other 2 million to the consortium or place them with friends itself. But a court has yet to rule on a legal challenge by Mr. de Benedetti on whether the capital increase is legal and whether the new stock carries voting rights.

Mr. de Benedetti has said that the capital increase would cut his stake in Générale to about 13 percent. But if he won approval for his public offer for Générale, it would rise back to around 18 percent.

Mr. Laysen said that if the share increase were struck down when the court makes its ruling on Feb. 18, no one could stop Mr. de Benedetti.

"He would be the winner, and sprightly I would be the first to congratulate him by telephone," he said. But assuming that the court allowed the increase, "an unfriendly takeover is now impossible," Mr. Laysen said. "With friends of the management and friends of the company we have erected a wall that cannot be breached."

He would not identify the members of his consortium. Mr. Laysen, who seeks greater influence in Société Générale for Belgium's Dutch-speaking north, has not ruled out cooperating with Mr. de Benedetti, but says he wants control of the company to remain in Belgium.

Japan to Keep Export Quota For U.S. at 2.3 Million Cars

By Reuters. TOKYO — Japan will limit its passenger car exports to the United States to 2.3 million again in the 1988 fiscal year, which begins April 1, International Trade and Industry Minister Hajime Tamura said Friday.

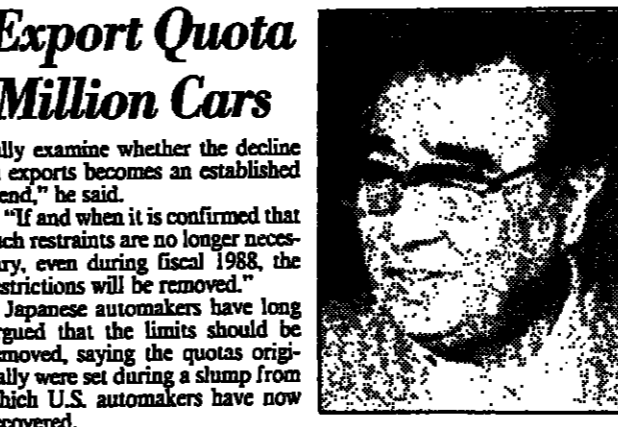
Auto exports account for more than 20 percent of Japan's exports to the United States. The Japan Automobile Manufacturers Association reported Friday that Japan's exports of passenger cars to the U.S. market have been hurt by the strong yen and did not even reach the 2.3 million limit last year, declining 6.1 percent to 2.2 million autos.

But Mr. Tamura said the government decided to continue the restrictions in light of rising protectionist sentiment in the U.S. Congress. "In fiscal 1988, MITI will carefully examine whether the decline in exports becomes an established trend," he said.

"If and when it is confirmed that such restraints are no longer necessary, even during fiscal 1988, the restrictions will be removed." Japanese automakers have long argued that the limits should be removed, saying the quotas originally were set during a slump from which U.S. automakers have now recovered.

Mr. Tamura said some officials of the Ministry of Trade and Industry were also against the limits and argued that Japanese automakers no longer were capable of meeting their allotments for U.S. shipments because the yen's sharp rise has driven up the prices of Japanese products abroad, eroding their competitiveness.

Japan began limiting its auto exports to the U.S. market in 1981 under strong pressure from Washington and the slumping U.S. industry. The limit first was set at 1.68 million and was raised to 1.86 million in fiscal 1984. The United States stopped asking for the restraints in 1985, but Japan decided to limit car shipments to the current 2.3 million in fiscal 1985.



Hajime Tamura

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Scant Demand Forecast for Mexico's Bonds

By Reuters. NEW YORK — Mexico and J.P. Morgan & Co., which proposed an innovative bond auction to relieve Mexico's \$105 billion foreign debt burden, are not getting much support from other banks, bankers say.

So far only a few seem willing to take part in the program announced in late December, the bankers said. Under the plan, Mexico will sell as much as \$20 billion in bonds backed by about \$10 billion in U.S. Treasury securities. Banks, which hold \$78 billion of Mexico's debt, would bid for the 20-year bonds by offering back to Mexico at a discount existing loans made to the country.

"Morgan will participate in the deal, Mexico may through U.S. agents, and arbitrageurs will," one banker said. Participants are expected to offer bids representing discounts on their loans of about 30 cents on the dollar. Mexico will save money by accepting bids at the steepest discounts, but many large U.S. banks in particular do not have a strong enough capital base to afford such write-offs.

Already Citicorp, the largest U.S. bank holding company, has said it will not take part in the plan, arguing that it is geared more for banks that want to get out of Latin American lending. Sources at Chase Manhattan Corp. and Bankers Trust New York Corp. said their banks probably would not participate. Spokesmen for Chemical New York Corp. and Manufacturers Hanover Corp. said they had not yet reached a decision. Bid analysts said neither bank had enough equity to sustain the losses incurred by exchanging debt at a discount.

Mexico's senior debt negotiator, Angel Gurria, said he did not expect to get a clear picture of the banks' interest in the new bonds until just before the Feb. 19 deadline for the bids. "It's a kind of brave new world," he said. "We don't know how it will come out." Bankers and debt traders in New York said. See MEXICO, Page 15

Japan Surplus In Trade Hit Record for 1987

Compiled by Our Staff From Dispatches. TOKYO — Japan's surplus in the current account, the widest measure of trade, inched up to a record \$86.69 billion last year, from the previous high of \$85.85 billion in 1986, the Finance Ministry said Friday.

The surplus for December totaled \$9.44 billion, slightly higher than the \$9.19 billion a year earlier, it said. It was the first year-to-year monthly increase in eight months in the current account, which measures a country's trade in such things as services, interest and dividends, as well as goods.

Masaru Takagi, a Fuji Bank economist, said he saw the current account surplus slumping to \$78 billion in the financial year beginning in April from his estimate of \$87 billion for the current financial year.

"This would be some improvement, but I must stress that there is still a problem because we are expecting no dramatic changes," he said. The ministry also reported Friday that the merchandise trade surplus widened by \$3.64 billion last year to a record \$96.46 billion, from \$92.83 billion in 1986, the previous record.

It said the surplus in December was \$10.06 billion, down slightly from \$10.20 billion a year earlier. Those figures contrast with data released earlier this month, showing that Japan's surplus shrank for December and the year.

However, the new figures were calculated on an internationally accepted basis in which cost, insurance and freight charges are stripped out of the value of exports and imports. The earlier figures were calculated with those charges included for exports, but excluded for imports, bloating the value of imports.

Exports grew 9.2 percent in 1987 to \$224.4 billion, the ministry said, while imports jumped by 13.5 percent to \$127.9 billion. Economists said that the sharp rise of the yen meant that Japan's exports fetched more in dollar terms last year, even though the volume of shipments declined.

Japanese officials said that when denominated in yen, the trade surplus declined slightly. The Bank of Japan, the central bank, said Friday that the trade surplus was expected to decline steadily in dollar terms. "The surplus in real terms will continue to decrease at a high tem-

po," the bank said in its quarterly economic report. The fall in the dollar surplus will be slower than in volume terms because the terms of trade are expected to improve next fiscal year, it said.

In the fiscal year ending March 31, the terms of trade are expected to deteriorate because of higher crude oil prices and in spite of the stronger yen, the bank said. The government also said that money leaving Japan for long-term investments surged to a net \$137.13 billion in 1987, surpassing a record \$131.46 billion in 1986.

The stock market collapse in October led to a heavy withdrawal of money by foreigners out of the Tokyo stock market, said Kazutoshi Habamura, economist for Nikko Research Center, although recent figures show that that trend is reversing. (A.F.P. Reuters, UPI)

Japan Reports Inflation at 29-Year Low

By Reuters. TOKYO — Japan had its lowest inflation rate in 29 years in 1987, as prices of consumer goods rose only 0.1 percent, the government said Friday.

The rate was the best since a 0.4 percent decline in 1958. The government also reported that the unemployment rate was 2.8 percent in 1987, unchanged from 1986, but that the number of people without jobs had risen 3.6 percent to 1.73 million from 1.67 million. In December, the rate fell to 2.6 percent, from 2.7 percent in November, seasonally adjusted.

The government said that in December, the consumer price index fell 0.1 percent to 100.9, base 1985, from November, when it had fallen 0.5 percent. But the index was up 0.8 percent in December from a year earlier.

The governor of the Bank of Japan, Satoshi Sumita, said Friday that wholesale prices were expected to fall again in January because of lower utility prices. In December, wholesale prices fell 0.1 percent.

Bonn Reports Decline In Broad Trade Surplus

By Ferdinand Protzman International Herald Tribune. FRANKFURT — West Germany's current account surplus declined somewhat from its record level of 1986, while the merchandise trade surplus soared to a record high in 1987.

But economists said the numbers masked significant shifts in trade flows that are likely to slow the nation's economic growth, because the statistics are skewed by the strong Deutsche mark and weak dollar.

The current account, which measures trade in goods and services, as well as certain transfers, registered a surplus of 79.4 billion DM (\$47.6 billion), down from a record high of 82.4 billion DM in 1986. The 1987 current account figure is preliminary, the Federal Statistics Office in Wiesbaden said Friday. The 1986 surplus was revised upward from the 80.5 billion DM originally reported.

The merchandise trade surplus climbed to 117.5 billion DM in 1987, breaking the previous high of 112.6 billion DM set in 1986. In December, the current account surplus fell to 8.9 billion DM from 9.6 billion DM in November. The November figure was revised downward from 10.3 billion DM.

The merchandise trade surplus grew to an unadjusted, or nominal, 117.5 billion DM in December from 11 billion DM in November. But the strong nominal trade performance in December does not accurately reflect the situation, according to a senior West German financial official.

Hans Tietmeyer, the Finance Ministry's state secretary, said that the rise was due to a statistical phenomenon known as the J-curve effect and that financial markets should look more at trade volume. "We had been expecting a big figure, but it is due to the J-curve effect," Mr. Tietmeyer said.

Historically, the J-curve effect shows that as a country's currency appreciates against others, it tends to initially improve that nation's trade balance by lowering the cost of imports. Later, the strong currency erodes exports, weakening the trade position. Economists said that despite the record merchandise and high current account surpluses, trade flows have shifted because of the impact of the negative effect of the strong mark on West Germany's exports.

Horst Seidler, an economist at the German Institute for Economic Research in Berlin, said West Germany's price stability also distorts the trade picture because import prices fell about 7 percent in 1987, causing imports to show a decline although volume rose significantly.

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BUSINESS ROUNDUP

Allegis to Buy Back 63% of Shares

CHICAGO—Allegis Corp., the parent of United Airlines, which has been selling its car-rental and hotel businesses, announced Friday a \$2.84 billion repurchase of 63 percent of its shares.

Austrian Bank Accepts Executive's Resignation

VIENNA—The supervisory board of Creditanstalt-Bankverein AG, Austria's largest bank, on Friday accepted the resignation of its director-general, Hans Eder.

Sweden's Nordstjärnan Bids for Builder

STOCKHOLM—The Swedish industrial conglomerate Nordstjärnan AB said Friday that it was making a bid for the building company Armerad Betong Vårforbättring AB.

More Divestitures Likely From Standard Chartered After Selling Arizona Unit

LONDON—Standard Chartered PLC, in selling its United Bank of Arizona subsidiary to Citicorp for \$210 million, is slightly strengthening its balance sheet in what analysts say is only the start of a wider divestiture program.

Centralizing Management at IBM

If the Plan Succeeds, It Will Ratify a U.S. Corporate Style

By David E. Sanger
NEW YORK—With its sweeping restructuring announced Thursday, International Business Machines Corp. joins a growing list of U.S. corporations that are pushing responsibility for decisions far down the chain of command.



justifying it to headquarters. But Armonk would retain responsibility for setting overall standards, including seeing that products contain state-of-the-art technology.

BP Gets Stake From Arco, Has 54% of Britoil

LONDON—Atlantic Richfield Co. said Friday that it had formally accepted British Petroleum Co.'s offer of 500 penny a share, or \$606.2 million (\$1.08 billion), for its 24.03 percent holding in Britoil PLC.

MEXICO: Scant Demand Forecast for Bond Auction

(Continued from first finance page)
York are pessimistic. Even regional banks, which are less exposed and seem eager to get out of risky foreign lending, do not seem excited by the plan, they said.

Cogema Sues on Matif Loss

PARIS—The Paris bourse's fledgling financial futures market suffered a blow on Friday when the state-owned Cogema nuclear fuel-processing company filed suit on fraud allegations as a result of heavy losses.

Delaware Law Curbing Hostile Takeovers Expected Soon

By Stephen Labaton
NEW YORK—Delaware will soon have a new law that makes hostile takeovers of corporations more difficult.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 29th Jan. 1988

Table with multiple columns listing various international funds, their assets, and performance metrics. Includes sections for 'Other Funds' and 'Share Prices'.

Company Results

Table showing financial results for various companies across different regions: Canada, Southeast, Spain, United States, and others. Includes revenue, profit, and share price data.

Friday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High	Low	Stock	Div.	Yld. %	PE	52 High	52 Low	Class	Chg.
12 1/2	12 1/2	IBM	3.00	4.2	12.5	120	110	Common	+1 1/2
12 1/2	12 1/2	AT&T	2.00	4.5	11.5	100	90	Common	+1 1/2
12 1/2	12 1/2	GE	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2

Friday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High	Low	Stock	Div.	Yld. %	PE	52 High	52 Low	Class	Chg.
12 1/2	12 1/2	IBM	3.00	4.2	12.5	120	110	Common	+1 1/2
12 1/2	12 1/2	AT&T	2.00	4.5	11.5	100	90	Common	+1 1/2
12 1/2	12 1/2	GE	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
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Friday's AMEX Closing (Continued)

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12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2

Friday's AMEX Closing (Continued)

12 Month High	Low	Stock	Div.	Yld. %	PE	52 High	52 Low	Class	Chg.
12 1/2	12 1/2	IBM	3.00	4.2	12.5	120	110	Common	+1 1/2
12 1/2	12 1/2	AT&T	2.00	4.5	11.5	100	90	Common	+1 1/2
12 1/2	12 1/2	GE	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	General Electric	1.00	4.0	11.0	90	80	Common	+1 1/2
12 1/2	12 1/2	Westinghouse Electric	1.00	4.0	11.0	90	80	Common	+1 1/2

NYSE High-Lows

Stock	High	Low
IBM	120 1/2	110 1/2
AT&T	100 1/2	90 1/2
GE	90 1/2	80 1/2
Westinghouse	90 1/2	80 1/2
General Electric	90 1/2	80 1/2
Westinghouse Electric	90 1/2	80 1/2
General Electric	90 1/2	80 1/2
Westinghouse Electric	90 1/2	80 1/2
General Electric	90 1/2	80 1/2
Westinghouse Electric	90 1/2	80 1/2

E-II Asks Shareholders To Reject Takeover Bid

CHICAGO — E-II Holdings Inc.'s directors have unanimously recommended that the corporation's shareholders reject the \$13-a-share, \$871 million bid by American Brands Inc., the company said Friday.

American Brands' hostile offer, undertaken to block takeover advances by the smaller company, includes tender offers for two classes of E-II's debt that brings the total value of its bid to about \$2.4 billion.

E-II's chairman, Donald P. Kelly, said the recommendation followed independent analyses by two investment banking firms concluding that the American Brands offer was inadequate.

Friday's OTC Prices

Stock	Price
IBM	120 1/2
AT&T	100 1/2
GE	90 1/2
Westinghouse	90 1/2
General Electric	90 1/2
Westinghouse Electric	90 1/2
General Electric	90 1/2
Westinghouse Electric	90 1/2
General Electric	90 1/2
Westinghouse Electric	90 1/2

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Belgium B.Fr.	11,000	40	6,000	34	3,300	27
Denmark D.Kr.	2,500	38	1,400	30	770	23
Finland F.M.	1,730	44	950	39	520	33
France F.F.	1,500	41	820	36	450	29
Germany* D.M.	580	41	320	35	175	29
Gr. Britain £	130	40	72	34	40	27
Greece Dr.	22,000	53	12,000	49	6,600	44
Ireland £Ir.	150	45	82	40	45	34
Italy Lire	380,000	42	210,000	36	115,000	30
Luxembourg L.Fr.	11,500	37	6,300	31	3,400	25
Netherlands Fl.	650	40	360	34	198	27
Norway (post) N.Kr.	1,800	45	990	40	540	34
— (hd. del.) N.Kr.	2,300	30	1,270	22	700	5
Portugal Esc.	22,000	58	12,000	54	6,600	50
Spain (post) Ptas.	29,000	45	16,000	40	8,800	33
— Madrid (hd. del.) Ptas.	45,240	—	22,620	—	11,310	—
Sweden (post) S.Kr.	1,800	45	990	40	540	34
— (hd. del.) S.Kr.	2,300	30	1,270	22	700	14
Switzerland S.Fr.	510	44	280	38	154	32
Rest of Europe, N. Africa, former Fr. Africa, Middle East \$	430	Varies by country	230	Varies by country	125	Varies by country
Rest of Africa, Gulf States, Asia \$	580	—	320	—	175	—

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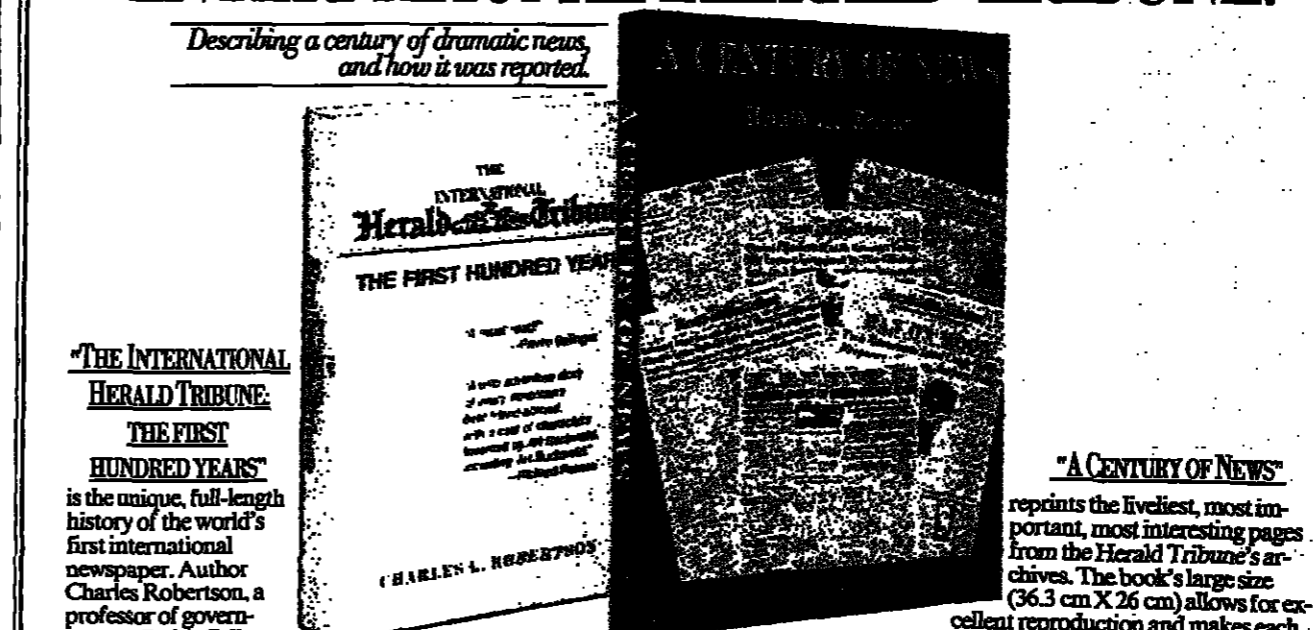
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TWO LIVELY CENTENNIAL BOOKS TRACE THE SPIRITED HISTORY OF THE INTERNATIONAL HERALD TRIBUNE.



"THE INTERNATIONAL HERALD TRIBUNE: THE FIRST HUNDRED YEARS" is the unique, full-length history of the world's first international newspaper. Author Charles Robertson, a professor of government at Smith College in Massachusetts, spent several years combing through the paper's archives, interviewing its personnel (both active and retired) and then assembling a vast range of materials into a history that reads like biography—the life story of a venerable but still rapidly changing institution.

The paper's full story is presented here: its colorful roots in Paris of the Belle Epoque, its defiant refusal to leave Paris during World War I, its place in the lives of the "Lost Generation" of Americans drawn to Paris in the 1920's, its dramatic closure and exhilarating revival in the 1940's, its transformation into a global newspaper in more recent years.

Robertson's compelling narrative is written with an acute sense of history and a flair for telling detail. Complete with photos, this is a book you will be proud to own and fascinated to read.

Hardcover, 472 pages, 23 black-and-white photos. Published by Columbia University Press (N.Y.).

"A CENTURY OF NEWS" reprints the liveliest, most important, most interesting pages from the Herald Tribune's archives. The book's large size (36.3 cm X 26 cm) allows for excellent reproduction and makes each story easy to follow. In these pages, you will be able to witness the events of the century from the same perspective as did the original readers.

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Preceded by Art Buchwald's riotous introduction, these reproduced texts are not limited to front pages, but include detailed coverage of major events, interviews and features. The material is organized by decades, with introductory essays by Bruce Singer, who also compiled the book, setting the stage for each section (and explaining briefly how the Herald Tribune evolved during the period). In addition, a display of advertisements from the era provides a nostalgic and often amusing ending for each chapter.

"A Century of News" is a book readers will browse in again and again, each time discovering something new and rewarding.

Hardcover, 192 pages, 188 pages of reproductions and illustrations. Published by Thames & Hudson (London) and Harry N. Abrams (N.Y.).

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CURRENCY MARKETS

Dollar Rises, Ending a Stable Week

NEW YORK — A flurry of preweekend purchases on Friday pushed the dollar higher, ending a week of unusually stable foreign exchange trading.

London Dollar Rates

Table with columns: Currency, Bid, Ask, The. Includes Deutsche mark, French franc, Italian lira, Japanese yen, Swiss franc.

plennig and 1 yen range, and said volume had been low. Next week's major event is the U.S. Treasury refunding, but unless it is spurred by Japanese investors, many dealers in London said, it will have little effect on exchange markets.

Gold Falls \$12 To 6-Month Low of \$454

NEW YORK — Gold fell more than \$12 to six-month lows on Friday on technical liquidation by speculators and fund traders. Dealers also blamed the firmer dollar and signs of slowing U.S. inflation.

DAVOS: Economic Forum Warns Against Global Currency Instability

(Continued from Page 1) the correction of the U.S. trade deficit would cause graver shocks than most people were expecting. He forecast that the U.S. trade balance would turn around dramatically, probably moving into surplus in the early to mid 1990s.

Robert Heller, a member of the Federal Reserve Board, said that growth, not recession, was the right way to correct trade imbalances. "It is important to emphasize that the adjustment of trade imbalances should not be brought about by protectionism or a recession in the United States," he said.

Willy de Clercq, the European Community's commissioner for external relations, warned European companies to start restructuring right away to prepare for the much stiffer competition they will face after the community becomes a single market in 1992.

There is no point in trying to resist these developments. "Don't try to save your skin by lobbying; do it by restructuring," he urged. Structural flexibility to meet rapidly changing world conditions was also urged by Bruce Smart, the U.S. undersecretary of commerce for international trade.

Japanese Investors Cut Foreign Bond Purchases in 1987

TOKYO — Japanese investors bought about 22 percent fewer foreign bonds in 1987 compared with the previous year, the first time since 1980 that net purchases have declined, the Finance Ministry said Friday.

They predicted that the slow demand for foreign bonds would continue in 1988, despite any revival of buying caused by the current stabilization in the yen/dollar rate.

Net purchases of Japanese bonds by foreigners totaled \$1.04 billion in December, up from \$817 million in November. Their net sales of Japanese stocks decreased to only \$977 million from \$8.84 billion a month earlier, ministry figures showed.

SCENE: The Outlook on Recession

(Continued from first finance page) Volcker swung to monetary stimulus when the deep recession threatened to get out of hand. It is far from clear that Mr. Greenspan meant to slow the growth of the monetary aggregates as much as occurred.

Whatever its reasons, the Fed does appear to have held an extremely tight grip on monetary expansion during the second half of 1987. The threat of an unbalanced economy and a recession, manifest in the new GNP data, may cause the Fed to ease its monetary policy.

deposit liabilities of commercial banks plus currency liabilities of the Fed. The monetary base, over which the Fed can exercise tight control, Mr. Bell says, "often goes in opposite directions to M-1 for considerable periods of time because of changing actual reserve ratios of commercial banks."

Whatever its reasons, the Fed does appear to have held an extremely tight grip on monetary expansion during the second half of 1987. The threat of an unbalanced economy and a recession, manifest in the new GNP data, may cause the Fed to ease its monetary policy.

Main financial table with columns: 12 Month High Low Stock Div. Yld. Sales in \$Bn High Low 4 P.M. Chg. Includes sections for OTC Prices, A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Soviet Trade With West Fell 4.6% in 9 Months As Moscow Cut Imports

MOSCOW — The Soviet Union's trade volume with the West fell by 4.6 percent in the first nine months of last year as Moscow cut back its purchases of Western goods, Tass said Friday. The agency said that trade with Western countries from January to September of 1987 totaled 20.7 billion rubles (\$34.6 billion), down 1 billion rubles from the first nine months of 1986.

SPORTS

When All Sunday's Factors Are Assessed, Last Line Is: Can Redskins Stop Elway?

By Ken Denlinger Washington Post Service

SAN DIEGO — For an early word on how Super Bowl XXII might swing between the Washington Redskins and the 34-point favored Denver Broncos...



Quarterback John Elway, who most consider to be the key to who wins the Super Bowl, blew a bubble while listening to instructions from the Broncos' coach, Dan Reeves, at practice Thursday.

allow the receivers to use their imagination to get open. With John, he's so creative that you have to be imaginative yourself to get open.

Earlier this week, Williams startled some when he said "I'm happy to be in the Super Bowl and facing a guy like Karl Mecklenburg."

Many defenses use what the National Football League terms a "spy" against mobile quarterbacks. That, generally, is a linebacker who shadows the quarterback from the defensive side of the ball.

But in their biggest game this season, the Redskins insist they will not spy on Elway.

Elway is the greatest quarterback to play in a long, long time, Hawkins said. "He can turn disaster into a great play."

Many give the Broncos the mental edge, the logic being that teams usually follow Super Bowl losses with victories. The Kansas City Chiefs won the second time, as did the Raiders, Dolphins and Cowboys.



Dexter Manley of the Redskins found himself at center stage not once but thrice on Thursday.

Whatever this means, I don't know. And Joe Gibbs, the Redskins' coach, was asked the same question. "Depends on the big plays," he said. "We're both capable of making them. But then if the defenses get at each other, there won't be big plays. So you never know. Besides, I'm the last guy to ask."

"I did a leaf report that I was so proud of in high school," he said. As for animals in the zoo, Jackson thought of a cheetah, because he's fast, and a fox, because he's wily. "Best yet, a combination," he said. "A feath, or a chox."

To Be Or Not A Tree; 'Tis a Question Few Will Leaf Be

By Ira Berkow New York Times Service

SAN DIEGO — If you were a tree, what kind of tree would you be? "A what?" asked Ricky Nattiel, the wide receiver for the Denver Broncos.

Coach Dan Reeves of Denver, for example, was asked yet again, with this: "How scoring are on night scoring?" Both teams are on the verge of scoring a lot of points, he said, "and both teams are capable of shutting down the other team."

Manley Finds There's a Stick, but No Carrot By Tom Friend Washington Post Service

SAN DIEGO — Dexter Manley, the Washington Redskins' defensive end, began the day Thursday distributing "Carrot" — the breakfast of NEC Champions "4-shorts" — to the Redskins.

Manley said he didn't want to come back, then repeated his speech. He finished by screaming at the top of his lungs: "All questions in writing!"

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No. 3 Carolina Falls To Wake Forest Rally Greensboro, North Carolina — David Carlyle scored 18 of his 21 points in the last 20 minutes of an Atlantic Coast Conference game Thursday night as Wake Forest beat the No. 3-ranked U.S. college basketball team, North Carolina, 83-80.

Trailing by 14 points early in the second half, Wake Forest used the three-point shot to close to 56-52 with 13:35 left. Carlyle sank the first two three-pointers and Cal Boyd ended the burst with two more. Then a 12-2 run, covering more than three minutes, gave Wake Forest a 73-71 edge.

After North Carolina's Ramzino Smith tied the score at 77 with a three-point basket, Carlyle's two free throws and a short jumper by teammate Todd Samuels gave Wake Forest a lead it never relinquished. Samuels' two free throws with three seconds left ensured victory.

They gave us half a billion dollars in new construction when nothing else was going on. — Calgary Mayor Ralph Klein



No. 8 Michigan's Glen Rice slammed the point home during a 76-64 defeat of No. 13 Illinois.

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SCOREBOARD

Table with columns for Basketball, National Basketball Association Standings, and Hockey. Includes team names and scores.

World Cup Skiing

Table with columns for Men's Downhill, Overall Standings, and Transition. Lists names and times.

U.S. College Results

Table with columns for Football, Basketball, and Hockey. Lists team names and scores.

Transition

BASEBALL: American League Boston (A-Rodriguez) and Seattle (Owen, shortstop); Brady Anderson, outfielder; Pat Doherty, first baseman; Dan Gable, pitcher; Steve Karcher, infielder.

Games Help Calgary End Hard Times

By Michael Janofsky New York Times Service

SPORTS BRIEFS

Zurbriggen Wins Downhill SCHLADMING, Austria (AP) — Firmin Zurbriggen of Switzerland conquered a dangerous downhill course Friday to win his second World Cup race this season and gain first place in the overall standings.

